

AR81



ANNUAL REPORT 2005

AR81

EXTREME CCTV

OUTERLIMIT™
2006 SERIES

PRECISION ENGINEERED FOR
ABSOLUTE SURVEILLANCE



Extreme CCTV®
SURVEILLANCE SYSTEMS



ABSOLUTE PERFORMANCE

For over a decade, Extreme has designed, developed and manufactured advanced infrared illuminators and precision engineered surveillance solutions for critical infrastructure, defense, Homeland Security, transportation and national heritage sites.

Our team of engineers is dedicated to the constant advancement of opto-electronic night vision technology. Today, over 70 models of Extreme cameras and illuminators are being delivered to critical locations on every continent.

The OuterLimit Series represents a select group of Extreme's highest performance models.

The world's top Certified Protection Professionals (CPP) specify Extreme surveillance products when critical security requires absolute performance.

IRREFUTABLE EVIDENCE

We cannot ignore what might be dangerous, and we cannot hide from it. In our quest for security, we must be proactive. We must detect threats, we must see them and we must understand them – sometimes under seemingly impossible conditions but always as far in advance as possible.

GET THE PICTURE WITH EXTREME

A usable picture is a critical component in the integrated systems solution. The picture must provide the irrefutable evidence that defines friend or foe for the deployment of appropriate counter-measures.

A CRITICAL COMPONENT IN AN INTEGRATED SYSTEMS SOLUTION.

An integrated system must:

DETECT
THE PICTURE

GET
THE PICTURE

DELIVER
THE PICTURE

UNDERSTAND
THE PICTURE

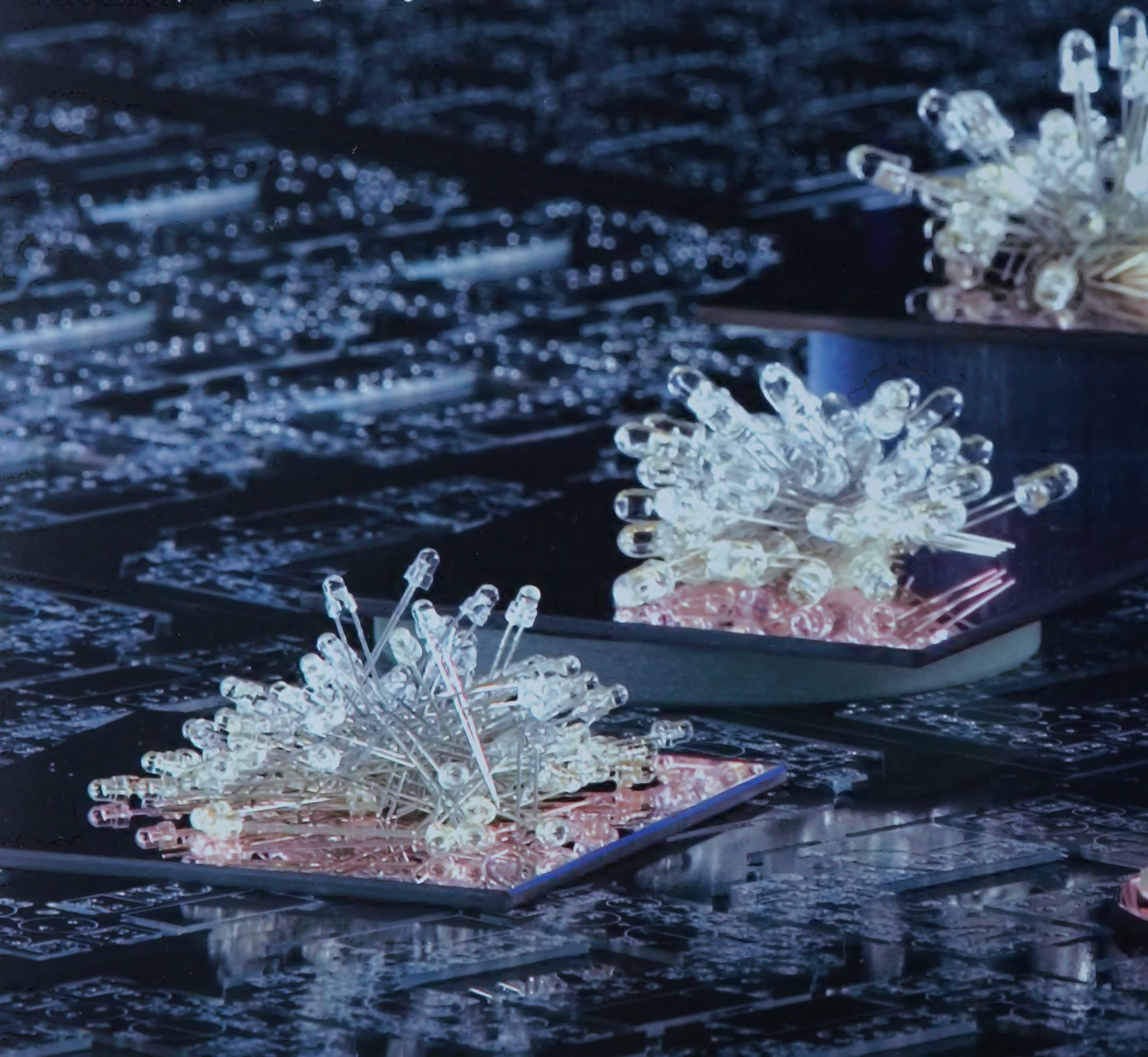
Extreme captures pictures with incredible clarity, regardless of the weather or available light.

WHEN YOU ABSOLUTELY MUST GET
THE PICTURE...THE OUTERLIMIT SERIES.

PRECISION ENGINEERED

Extreme's core expertise in active-imaging defines performance for technical surveillance.

We specialize in infrared illumination. We use this "invisible light" to capture images under extreme conditions. The results, as powerful as they are clear, are the culmination of relentless precision engineering.



SEE THE LIGHT. GET THE PICTURE.

We are masters of light. We reflect it, shape it and control it to give you power over darkness.

Driven by our mandate to deliver important new capabilities in active-imaging, we push the laws of opto-electronic physics to deliver solutions for the ever-changing challenges of critical security.

Every day, leading security professionals specify the OuterLimit Series by Extreme for absolute performance.





PERIMETER SURVEILLANCE AT THE MOST VULNERABLE TIMES

LIKE STADIUM LIGHTING – BUT PITCH BLACK TO THE NAKED EYE

"Our client was amazed by the clarity of the video – even at night. The scenes are brilliantly illuminated, yet because infrared is covert, would-be trespassers think they're protected by darkness. With the Integrated Day-Night™ cameras, it's like a stadium lighting package – but without disturbing the residential neighbors."

Craig Bowman
Site Secure Integrators

CRITICAL SECURITY MATTERS

OCTOBER 2005 In an attempt to sabotage the national referendum, insurgents in Iraq attack power infrastructure, plunging 70% of Baghdad into darkness.

APRIL 2002 Police arrest 19 suspected terrorists, two of whom were seen outside the Pickering, Ontario nuclear power plant at 4 o'clock in the morning.



Following the crippling blackout of August 2003 affecting the USA and Canada, a joint governmental task force recommended in its Final Report that critical locations such as nuclear plants uphold security under all conditions with UPS (Uninterruptible Power Supply) at control rooms. Security systems require a contingent of surveillance cameras to encompass a perimeter that is evenly illuminated with infrared and sensorized for motion detection. These systems also require emergency standby power for inevitable blackouts caused by system overload, natural causes or sabotage.

EX82-MECC3




Security around the clock, with or without hard-wired power. Integral standby battery for performance under blackouts and hostile power cuts. MECC™ design delivers the world's only day-night camera with Uninterruptible Power Supply (UPS).

MOONDANCE

Designed for the world's toughest environments, the Moondance Pan-Tilt-Zoom camera is resistant to water, corrosion, hurricanes and gunfire. CNC-machined metal ball housing compatible with standard control protocols. Distinctive architectural design and stainless steel construction.





IDENTIFYING THE THREAT IN AN URBAN CONVERGENCE OF PEOPLE

In Philadelphia, an EX82DXL Integrated Day-Night (IDN™) camera installed on a federal government building captured key video evidence of the Covington murder case in the dark hours of the early morning. The surveillance video, enabled by Extreme's active-infrared technology, was so compelling that one police officer declared, "those are the best surveillance videos we have ever seen."

"Cooperation of the public, great surveillance cameras, great detective work.
That's what made it happen."

Lynn Abraham
District Attorney of Philadelphia



A transportation hub experiences the convergence of thousands of people per hour. And therein lies the security challenge for transit authorities who must detect suspicious behavior, verify potential threats and identify the people involved. An array of strategically selected and strategically positioned cameras gathers evidence ranging from overview scenes to individual faces. Infrared has the power to overcome the darkness of tunnels and shadows cast upon faces, delivering irrefutable evidence. Digital Video Management Systems (DVMS) can now manage the vast number of cameras required for modern-day security systems.



Built for absolute performance in the most punishing of urban environments. Guaranteed unbreakable. Hi-Impact™ vandal-resistance. Omega-IR technology for close-range night vision.



The new benchmark for sleek, effective surveillance. All-weather performance. Night vision ready. Rugged, compact, power-protected and installed in minutes.



The *de facto* standard of effective 24/7 surveillance. Over 100ft | 30m of photo-cell-controlled night vision. No focus shift. No IR bleed. Applied at the Israeli Embassies in Washington and London.

AUTOMATED SCENE UNDERSTANDING FOR RECOGNITION & IDENTIFICATION

Precision engineered night vision performance made possible by the night vision experts at Derwent Systems, the founders of Cosec² and Even-Illumination active-infrared technology. Derwent infrared now includes a wide range of models including the ZX700, SuperLED™, UF500 and UFLED.





A global economy relies critically on the international network of port facilities that make the efficient exchange of goods possible. But this same efficiency results in high vulnerability to security breaches. Ports represent the mass convergence of ships, containers, trucks and railcars, all moving at various speeds, day and night. A Homeland Security world requires a controlled and clear understanding of the events within our harbors. Surveillance systems must be powerful and versatile enough to differentiate between routine port activity and unlawful intent. They must also integrate with detection tools, such as radar and intelligent software, to allow for automated scene understanding. Effective surveillance allows uncertainties to be defined, threats to be confirmed and counteractive measures to be deployed. Quickly and decisively...even at great distances and in total darkness.



High-resolution, Pan-Tilt-Zoom (PTZ) functionality to define events from foreground to a distance of 3,300ft | 1km in day or dark conditions. When integrated with a sensorized harbor, the GVS1000 can automatically acquire evidentiary video to determine the threat level of unusual activity. Integrates with intelligent software for "Seek and Define" proactive security.



Fixed on a critical scene from foreground to 650ft | 200m. Precision engineered Gold Optics™ deliver US-patented Even-Illumination, eliminating foreground overexposure and producing night-time images that appear as if it were day. IR-corrected 154mm lens for powerful zoom functionality. Mechanical filter CCD technology results in vivid daytime color and outstanding active-infrared night vision performance.

ESSENTIAL TECHNOLOGY FOR TIMELESS CLASSICS



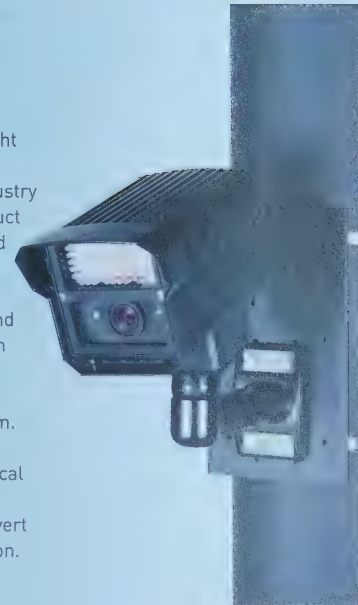
"We were able to identify these people so quickly because of the scale of investment we made in closed-circuit television."

Ken Livingstone, Mayor of London
after the London transit bombings in July 2005



National landmarks and world heritage sites arouse the imagination with their inspirational design. But behind the exteriors of timeless beauty, these sites must be protected with absolute security for the benefit of generations to come. Sleek, elegant and unobtrusive, Extreme CCTV surveillance equipment is in use at the Eiffel Tower, the Pyramids of Egypt, throughout London and at government buildings around the world. Active-infrared illumination delivers daytime clarity in night-time darkness while preserving the original aesthetics.

Based on Extreme CCTV's original Integrated Day-Night design, winner of the Security Industry Association's Product Achievement Award and in use at the private residences of kings, queens and heads of state. Rich daytime color. Penetrating night vision to 125ft | 39m. Versatile 10-40mm IR-corrected varifocal lens. Invisible IR illumination for covert night-time operation.



Powerful camera optics matched with powerful infrared illumination by Derwent Systems. Proprietary LXR sensor technology. Exceptional spectral response under both daytime visible and night-time infrared wavelengths. Solid-state design. Powerful 252-LED array for 200ft | 60m of covert night vision. All-weather sealed for extreme environments.





STRENGTHENING HOMELAND SECURITY

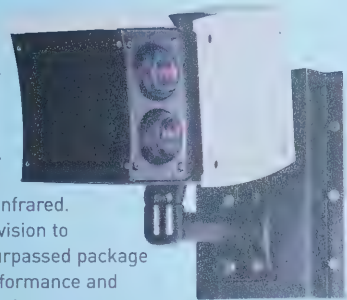
PROTECTING & MONITORING US FEDERAL BUILDINGS

The OuterLimit Series includes the active-infrared illuminators and surveillance products of choice for Federal Protective Services (FPS), a Homeland Security Division charged with the security of all US federal buildings. The patented, award-winning UF500 illuminator in particular is a workhorse for Homeland Security and defense applications, especially for perimeter surveillance at sensitive sites and buildings.

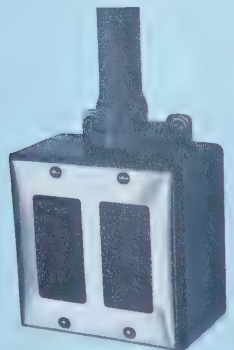


Critical infrastructure, often remotely located, is especially vulnerable in today's unpredictable world. Effective, proactive security starts at perimeters with electronic sensors that integrate with real-time video analysis operating through distance and darkness. At access roads, vehicles are detected, monitored and identified. Where people may find points of entry, facial recognition (FR Series) cameras, discreetly installed to electrical conduit boxes, deliver identifying features that help fulfill the proactive mandates of Homeland Security.

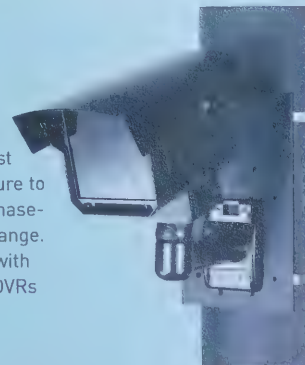
Supercharged night vision. Extraordinary efficiency. DXL™ Dual Sensor optics with LXR technology. Flow-thru vent cooling. Solid-state infrared. Plug and Play night vision to 200ft | 60m. An unsurpassed package of supercharged performance and super-efficient operation.



Irrefutable facial recognition. Covert light switch aesthetics. Effective operation under all lighting conditions. In-Your-Face video verification at controlled entry and exit points. The definitive facial capture camera to complement wide-angle overview cameras.



The *de facto* standard of effective license plate capture. DHC-Imaging™ for definitive high-contrast images. High speed capture to 100mph | 160kph. Metaphase-LEDs deliver maximum range. Day and night operation with seamless integration to DVRs and intelligent software.





WORKING BEYOND THE OUTERLIMIT TO DELIVER
PRECISION ENGINEERED SOLUTIONS FOR ABSOLUTE SECURITY

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F +1 604 420 3300
E SALES@EXTREMECCCTV.COM

EUROPEAN OPERATION

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EXTREME CCTV INC.
3021 Underhill Avenue
Burnaby, British Columbia, Canada, V5A 3C2
Tel. No. (604) 420-7711
Fax No. (604) 420-3300

NOTICE OF ANNUAL GENERAL MEETING OF SHAREHOLDERS

NOTICE IS HEREBY GIVEN that the Annual General Meeting of Shareholders of Extreme CCTV Inc. (the "Corporation") will be held in the Main Boardroom at the offices of Fasken Martineau DuMoulin LLP, 2100 - 1075 West Georgia Street, Vancouver, British Columbia on Thursday, January 26, 2006 at 10:00 a.m. (Vancouver time) (the "Meeting") for the following purposes:

1. to receive the Corporation's Annual Report for 2005, including the financial statements for the fiscal year ended September 30, 2005 and the report of the auditors thereon;
2. to fix the number of directors of the Corporation for the ensuing year at six (6);
3. to elect six (6) directors to hold office until the close of the next annual meeting;
4. to appoint the auditors of the Corporation to hold office until the close of the next annual meeting;
5. to authorize the Board of Directors to fix the remuneration to be paid to the auditors of the Corporation;
6. to consider and if thought appropriate, to pass an ordinary resolution approving the adoption of amendments to the Incentive Stock Option Plan, as more particularly described in the accompanying Management Proxy Circular; and
7. to transact such further and other business as may properly come before the Meeting or any adjournment thereof.

Accompanying this Notice of Meeting are: (1) a copy of the Corporation's Annual Report for 2005; (2) a Management Proxy Circular, which provides additional information relating to the matters to be dealt with at the Meeting; (3) a Form of Proxy and Notes to Proxy; (4) a return envelope for use by shareholders to send in their Proxy; and (5) a request card for use by shareholders who wish to receive the Corporation's interim and annual financial statements.

The Board of Directors of the Corporation fixed December 16, 2005 as the Record Date for the determination of the shareholders entitled to receive this Notice, and to attend and vote at the Meeting.

DATED at Burnaby, British Columbia, as of the 5th day of December, 2005.

By Order of the Board of Directors

(signed) **J.M. (Jack) Gin**
President and Chief Executive Officer

PLEASE ENSURE THAT YOU COMPLETE, DATE, SIGN AND RETURN THE ENCLOSED FORM OF PROXY IN THE ENVELOPE PROVIDED FOR THAT PURPOSE. To be effective, Proxies must be deposited with the Vancouver Office of the Corporation's registrar and transfer agent, Pacific Corporate Trust Company, 10th Floor, 625 Howe Street, Vancouver, British Columbia, V6C 3B8, before 10:00 a.m. (Vancouver time) on January 24, 2006. If you are able to attend the Meeting, sending your Proxy will not prevent you from voting in person.

EXTREME CCTV INC.
3021 Underhill Avenue
Burnaby, British Columbia, Canada, V5A 3C2
Tel. No. (604) 420-7711
Fax No. (604) 420-3300
Email: investor@extremecctv.com

ANNUAL GENERAL MEETING OF SHAREHOLDERS

to be held on January 26, 2006

MANAGEMENT PROXY CIRCULAR

Dated as of December 5, 2005

PURPOSE OF SOLICITATION

This Management Proxy Circular is being provided to you in connection with the solicitation of proxies by the board of directors (the "Board of Directors") and management of Extreme CCTV Inc. (the "Corporation", "us", "our" or "we") for use at our Annual General Meeting of the shareholders of the Corporation (the "Shareholders") to be held on Thursday, January 26, 2006, and at any and all adjournments thereof (the "Meeting"). Unless otherwise indicated, the information contained in this Management Proxy Circular is given as of December 5, 2005. **The solicitation is made by the management of the Corporation** (the "Management"). The cost of solicitation will be borne by the Corporation. It is expected that the solicitation of proxies will be primarily by mail. Proxies may also be solicited personally or by telephone, by directors, officers or regular employees of the Corporation, at nominal cost.

VOTING OF PROXIES

All shares represented at the Meeting by properly executed proxies will be voted (including the voting on any ballot) or withheld from voting in accordance with your instruction as a Shareholder. If you, as a Shareholder, specify a choice on the enclosed Form of Proxy with respect to any matter to be acted upon, your shares will be voted in accordance with your instructions as specified in the proxy you deposit. **In the absence of any such specification, the Management designees, if named in the enclosed Form of Proxy, will vote in favour of the matters set out therein.**

The Management designees named in the enclosed Form of Proxy are officers of the Corporation and have indicated their willingness to represent as Proxyholder the Shareholder who appoints them.

The enclosed Form of Proxy, when properly signed, confers discretionary authority upon the persons named therein with respect to amendments or variations of matters identified in the Notice of Meeting and any other matters which may properly be brought before the Meeting. As of the date hereof, Management is not aware that any such amendments to, variations of or other matters are to be presented for action at the Meeting. However, if any other matters which are not now known to Management should properly come before the Meeting, then the Management designees intend to vote in accordance with the judgment of Management.

The number of votes required for approval of any matter that will be submitted to a vote of Shareholders at the Meeting is a simple majority of the votes cast, unless otherwise indicated in this Management Proxy Circular.

APPOINTMENT OF PROXIES

You as Shareholder have the right to designate a person (who does not need to be a Shareholder of the Corporation), other than JACK GIN or TERRY KREPIAKEVICH, both officers of the Corporation and the Management designees, to attend and act for you at the Meeting. You may exercise this right by inserting in the blank space provided in the enclosed Form of Proxy the name of the person you wish to designate and striking out the names of the Management designees or by completing another proper Form of Proxy and delivering it to the Vancouver office of the Corporation's registrar and transfer agent, Pacific Corporate Trust Company, 10th Floor, 625 Howe Street, Vancouver, British Columbia, V6C 3B8, not later than 10:00 a.m. (Vancouver Time) on January 24, 2006.

A proxy will not be valid unless signed by you as Shareholder or by your attorney duly authorized in writing. If you are the representative of a Shareholder that is a corporation or association, the Form of Proxy should bear the seal of the corporation or association and must be executed by an officer or by an attorney duly authorized in writing. If the Form of Proxy is executed by an attorney for an individual Shareholder or by an officer or attorney of a Shareholder that is a corporation or association, the instrument so empowering the officer or attorney, as the case may be, or a notarial copy thereof, must accompany the Form of Proxy.

REVOCATION OF PROXIES

In addition to revocation in any manner permitted by law, you may revoke your proxy by an instrument in writing signed by you as Shareholder or by your attorney duly authorized in writing. If you are a representative of a shareholder that is a corporation or association, the instrument in writing must be executed by an officer or by an attorney duly authorized in writing, and deposited with the Corporation's registered office, c/o Fasken Martineau DuMoulin LLP, Suite 2100, 1075 West Georgia Street, Vancouver, British Columbia, V6E 3G2, Attention: L. Casciano, at any time up to and including the last business day preceding the day of the Meeting or any adjournment thereof, or, as to any matter in respect of which a vote shall not already have been cast pursuant to such proxy, with the Chairman of the Meeting on the day of the Meeting, or at any adjournment thereof, and upon either of such deposits the proxy is revoked.

SPECIAL INSTRUCTIONS FOR VOTING BY NON-REGISTERED HOLDERS

Only registered Shareholders or duly appointed proxyholders are permitted to vote at the Meeting. Most Shareholders of the Corporation are "non-registered" shareholders because the shares of the Corporation they own are not registered in their names but are instead registered in the name of the brokerage firm, bank or trust company through which they purchased the shares. More particularly, a person is not a registered Shareholder in respect of shares which are held on behalf of that person (the "Non-Registered Holder") but which are registered either: (a) in the name of an intermediary (an "Intermediary") that the Non-Registered Holder deals with in respect of the shares (Intermediaries include, among others, banks, trust companies, securities dealers or brokers and trustees or administrators of self-administered RRSP's, RRIF's, RESP's and similar plans); or (b) in the name of a clearing agency (such as The Canadian Depository for Securities Limited) of which the Intermediary is a participant. In accordance with the requirements of National Instrument 54-101 of the Canadian Securities Administrators, we have distributed copies of the Notice of Meeting, this Management Proxy Circular, the Form of Proxy and Notes to Proxy and related documents together with the 2005 Annual Report (collectively, the "Meeting Materials") to the clearing agencies and Intermediaries for onward distribution to Non-Registered Holders.

Intermediaries are required to forward the Meeting Materials to Non-Registered Holders unless in the case of certain proxy-related materials a Non-Registered Holder has waived the right to receive them. Very often, Intermediaries will use service companies to forward the Meeting Materials to Non-Registered Holders. With those Meeting Materials, Intermediaries or their service companies should provide Non-Registered Holders with a request for voting instruction form and which, when properly completed and signed by the Non-Registered Holder and **returned to the Intermediary or its service company**, will constitute voting instructions which the Intermediary must follow. The purpose of this procedure is to permit Non-Registered Holders to direct the voting of the shares which they beneficially own. Should a Non-Registered Holder wish to vote at the Meeting in person, the Non-Registered Holder should follow the procedure in the request for voting instructions provided by or on behalf of the Intermediary and request a form of legal proxy which will grant the Non-Registered Holder the right to attend the Meeting and vote in person. **Non-Registered Holders should carefully follow the instructions of their Intermediary, including those regarding when and where the completed request for voting instructions is to be delivered.**

Only registered Shareholders have the right to revoke a proxy. Non-Registered Holders who wish to change their vote must in sufficient time in advance of the Meeting, arrange for their respective Intermediaries to change their vote and if necessary revoke their proxy in accordance with the revocation procedures set above.

VOTING SHARES AND PRINCIPAL HOLDERS THEREOF

As of the date hereof, we have 16,157,277 common shares ("Common Shares") of the Corporation issued and outstanding. Each Shareholder of record at the close of business on December 16, 2005 (the "Record Date") is entitled to one vote on a ballot at the Meeting for each Common Share held by such Shareholder. One or more voting persons present and authorized to cast in the aggregate not less than one-twentieth of the total votes attaching to all shares carrying the right to vote at the Meeting will constitute a quorum at the Meeting. Voting persons are

Shareholders, duly authorized representatives of Shareholders or proxyholders of Shareholders, entitled to vote at the meeting.

As of the date hereof, to the knowledge of our directors and officers, no person beneficially owns, directly or indirectly, or exercises control or direction over more than 10% of the outstanding Common Shares except as follows:

Name and Municipality of Residence	Number of Common Shares Beneficially Owned or Over Which Control or Direction is Exercised	Approximate Percentage of Total Issued and Outstanding Common Shares
Jack Gin ⁽¹⁾⁽²⁾ Burnaby, British Columbia	3,361,875	20.81%
Sylvia Gin ⁽¹⁾ Burnaby, British Columbia	3,035,875	18.79%

Notes:

- (1) Mr. Jack Gin and Mrs. Sylvia Gin are related. Of the 3,361,375 Common Shares held by Mr. Gin, 800,000 are held through a family trust. Mr. Gin also holds options as disclosed under "Aggregated Options Exercised During 2005 Financial Year and Financial Year-End Option Values".
- (2) Mr. Gin's shares together with the shares held by his associates (including the number of Common Shares held by Mrs. Gin) constitute 6,397,750 Common Shares or 39.60% of the total issued and outstanding Common Shares.

Our directors and executive officers, as a group, own or exercise control or direction over an aggregate of 3,809,525 Common Shares (4,384,525) on a fully diluted basis, representing 23.58% (24.82% on a fully diluted basis) of the Common Shares issued and outstanding as of the date hereof.

ELECTION OF DIRECTORS

Our Articles provide that our Board of Directors is to consist of a minimum of three (3) directors and a maximum of ten (10) directors. The actual number of directors is to be determined from time to time by ordinary resolution of our Shareholders. For this forthcoming year, we propose that the Board of Directors consist of six (6) directors. Management therefore intends to place before the Meeting for approval, with or without modification, a resolution fixing the Board of Directors at six (6) directors to hold office for the ensuing year until the close of the next annual meeting of Shareholders or until a successor is duly elected or appointed.

No class of Shareholders has the right to elect a specified number of directors or to cumulate their votes with respect to the election of directors.

We propose that the following persons will be nominated at the Meeting to serve as directors. Except as noted under "Voting of Proxies", proxies received in favour of Management designees will be voted for the following proposed director nominees (or for substitute nominees in the event of contingencies not known at present) who will, subject to the Bylaws of the Corporation and its governing legislation, serve until the close of the next annual meeting of Shareholders or until their successors are duly elected or appointed.

The following table sets forth certain information with respect to persons we propose to be nominated for election as a director. The following information concerning each of the proposed nominees as director is as of the date hereof and is based on information received by the Corporation from said nominee. All proposed nominees are currently directors of the Corporation.

Name, Municipality of Residence and Present Position with the Corporation	Date Became a Director	Principal Occupation ⁽¹⁾	Number and Approximate Percentage of Common Shares Beneficially Owned or Over Which Control or Direction is Exercised
J.M. (Jack) Gin Burnaby, British Columbia Canada President, Chief Executive Officer and Director	March 16, 2001	President and Chief Executive Officer of the Corporation	3,361,875 ⁽²⁾ (20.81%)
L.K. (Larry) Doan Vancouver, British Columbia Canada Director	June 11, 2001	Consultant	447,650 (2.77%)
Thomas A. Kordyback ⁽³⁾ Vancouver, British Columbia Canada Director	January 27, 2005	Retired	NIL
J. Bryan McKnight ⁽³⁾⁽⁴⁾ Vancouver, British Columbia Canada Director	August 10, 2004	Corporate Director	NIL
David W. Smalley ⁽⁴⁾⁽⁵⁾⁽⁶⁾ Delta, British Columbia Canada Director	May 22, 2002	Lawyer	NIL
Robert D. Wiens ⁽³⁾⁽⁴⁾⁽⁵⁾⁽⁶⁾ Vancouver, British Columbia Canada Director	November 21, 2001	Consultant	NIL

Notes:

- (1) The directors of the Corporation have held their present principal occupations noted opposite their respective names through the last five years except as described below.
- (2) See also "Voting Shares and Principal Holder Thereof" for holdings held by Mr. Gin's associates.
- (3) Member of the Audit Committee.
- (4) Member of the Governance Committee.
- (5) Member of the Compensation Committee.
- (6) Member of the Merger & Acquisition Committee.

The following are brief biographies of Management's proposed nominee directors:

J.M. (Jack) Gin, P. Eng., President and Chief Executive Officer and Director

Mr. Gin is the President and Director of the Corporation. He founded JSG Management Ltd. ("JSG") (the predecessor business of the Corporation) in 1994. Prior to founding JSG, he was a Director and the Vice President of Business Development for Silent Witness, a competitor of the Corporation, and facilitated that company's entry into the global security market. Prior to that, he was Vice President, Business Development for Weatherhaven Resources Ltd. ("Weatherhaven") of Burnaby, British Columbia, which designs, manufactures and installs transportable structures and integrated life support systems on a global basis. Mr. Gin joined Weatherhaven in 1990 and under his direction sales climbed, netting Weatherhaven the Canada Export Award 1992. Mr. Gin is trained as a structural engineer. He received a BASc in Civil Engineering from the University of British Columbia in 1983 and is a member of the Association of Professional Engineers of British Columbia. Mr. Gin is also a director of Obzerv Technologies Inc., a private company in which the Corporation has an investment.

L.K. (Larry) Doan, Director

Mr. Doan is a consultant. He was the Executive Vice President, Vice President and Director of Sales of the Corporation (including the predecessor business of the Corporation carried on by JSG) from January 1999 to

September 8, 2004. From 1998 to 1999, he was Sales Manager of the Corporation. From 1997 to 2001, Mr. Doan also provided consulting services through Doan and Associates Inc. From 1992 to 1997, he was the National Sales Manager for Silent Witness, where he took that company from negligible sales to over \$1 million per month before departure from that company. In 1991, Mr. Doan was a full time student at Douglas College.

Thomas A. Kordyback, Director

Mr. Kordyback is a retired financial manager. He was the Chief Financial Officer of Creo Products Inc., a TSX and NASDAQ listed company from 1995 to 2000. From 1985 to 1994, he held senior financial positions with Glenayre Electronics Inc., Telelink Communications Inc. and worked as a consultant to other Vancouver area companies. He holds a B.A. in Economics from the University of Victoria and is a member of the Institute of Chartered Accountants of British Columbia.

J. Bryan McKnight, Director

Mr. McKnight is a corporate director. In addition to the Corporation, he is also a director of Great Canadian Gaming Corporation and BioMS Medical Corp., both TSX listed companies. Mr. McKnight retired in 2003, after twenty-seven years as a partner with KPMG LLP. He held a number of senior management positions with KPMG, including eight years as Managing Partner, Vancouver. He also served on KPMG's Operating and Management Committees and the Board of Directors. Mr. McKnight holds an Honours B.A. in Business Administration from the University of Western Ontario and is a Fellow of the Institute of Chartered Accountants of British Columbia.

David W. Smalley, Director

In addition to the Corporation, Mr. Smalley is presently a director of Most Home Corp., a company listed with the NASD and he is on their Compensation Committee. Mr. Smalley is a partner at Fraser and Company LLP in Vancouver, where he has practiced corporate and securities law since 1990. He was called to the Law Society of British Columbia in 1989. He received a Bachelor of Law degree from the University of British Columbia in 1988. Mr. Smalley received a Bachelor of Arts degree from the University of Victoria in 1985.

Robert D. (Bob) Wiens, Director

Mr. Wiens consults in the areas of finance, mergers and acquisitions. From 2002 to 2005, Mr. Wiens was the Chief Financial Officer of D-Wave Systems, a Vancouver-based developer of quantum information systems. From 1987 to 2000, he was the President and CEO of FACS Records Centre Inc. Prior to joining FACS, Mr. Wiens was with Arthur Andersen in New York City, Toronto, Ottawa (as managing partner) and Vancouver (as managing partner). A graduate of the University of Calgary (B.Comm) and Columbia University (MBA), Mr. Wiens holds a CPA in New York State and a CA in B.C. In addition to the Corporation, Mr. Wiens is a director of Liquidation World Inc., a TSX listed company. Mr. Wiens is also a director of Obzerv Technologies Inc., a private company in which the Corporation has an investment.

EXECUTIVE COMPENSATION

Summary Compensation Table

We are required to provide a summary of compensation earned during the financial years ended September 30, 2005, 2004 and 2003 by our Chief Executive Officer ("CEO"), Chief Financial Officer ("CFO") and up to three of our most highly compensated executive officers of the Corporation (other than the CEO and CFO) whose total salary and bonus exceeded \$150,000 for the year ended September 30, 2005, including any of our former executive officers who would have been one of the three most highly compensated executive officers except that the individual was not serving as an officer for us as of September 30, 2005 (together, the "Named Executive Officers"). For the year ended September 30, 2005, the salary and bonus of our three most highly compensated executive officers or former executive officers (other than the CEO and CFO) did not exceed \$150,000. The following table provides a summary of compensation earned by our CEO and CFO for the financial years ended September 30, 2005, 2004 and 2003:

Name and Principal Position	Year	Annual Compensation ⁽¹⁾			Long Term Compensation			All Other Compensation
		Salary	Bonus	Other Annual Compensation ⁽¹⁾	Awards		Payouts	
					Securities Under Options/ SARs Granted ⁽²⁾	Shares or Units Subject to Resale Restrictions	LTIP Payouts	
Jack Gin, President, Chief Executive Officer & Director	2005	\$195,000	\$10,000	—	—	—	—	—
	2004	\$195,000	—	—	—	—	—	—
	2003	\$195,000	—	—	—	—	—	—
Terry Krepiakovich, Chief Financial Officer & Corporate Secretary	2005	\$150,000	\$10,000	—	—	—	—	—
	2004	\$150,000	\$50,000	—	—	—	—	—
	2003	\$150,000	—	—	—	—	—	—

Notes:

- (1) Perquisites and other personal benefits which in the aggregate are less than \$50,000 and 10% of the total annual salary and bonus of each of our named executive officer are not disclosed.
- (2) See "Aggregated Options Exercised During 2005 Financial Year and Financial Year-End Option Values".

We have not granted any options to the Named Executive Officers during the financial year ended September 30, 2005.

**Aggregated Options Exercised During 2005 Financial Year
and Financial Year-End Option Values**

Name and Principal Position	Securities Acquired on Exercise (#)	Aggregate Value Realized (\$)	Unexercised Options/SARs at Sept. 30, 2005 Exercisable/ Unexercisable (#)	Value of Unexercised in-the-Money Options/SARs at Sept. 30, 2005 Exercisable/ Unexercisable ⁽¹⁾ (\$)
Jack Gin, President, Chief Executive Officer & Director	—	—	170,000/—	\$323,000/—
Terry Krepiakovich, Chief Financial Officer & Corporate Secretary	140,000	\$311,843	80,000/—	\$64,500/—

Notes:

- (1) Based on a market value of \$2.40 per share, being the closing trading price per Common Share on the TSX as of September 30, 2005.

Employment and Severance Agreements

We are a party to employment agreements with each of Jack Gin and Terry Krepiakovich each dated October 31, 2001 (collectively, the "Employment Agreements"). Each of the Employment Agreements is for an indefinite term and contains provisions for annual base salaries (see Summary Compensation Table above for the year ended September 30, 2005), as well as provisions pertaining to eligibility for benefits, discretionary performance bonuses, option grants, vacation and car allowances. The Employment Agreement for Mr. Krepiakovich provides for the appointment of Mr. Gin, for the duration of the term of employment, as attorney, agent and representative to do all such things and execute all such documents and resolutions of any kind whatsoever as may be required of him as a shareholder of Extreme including, without limitation, to exercise all the voting rights appertaining to any shares of Extreme owned by him and all rights in connection with the initiation, taking part in and consenting to any action

required of him as a shareholder of Extreme. The Employment Agreements contain confidentiality provisions as well as non-competition and non-solicitation clauses, with the latter clauses applicable for 24 months following the termination of employment and in the case of the non-solicitation clause, also during the term of employment. The Employment Agreements also contain severance provisions contemplating, in the case of termination without cause, severance payments equivalent to the sum of 24 months of base salary, and two times the average yearly performance bonus (collectively, the "Termination Payment"). Finally, the Employment Agreements provide for the executives' entitlement, subject to certain written notice provisions, to Termination Payment in the event of the occurrence of certain change in control events.

Composition of the Compensation Committee

During the most recently completed financial year, our Compensation Committee was comprised of the following directors of the Corporation:

Robert D. Wiens (Chair)
David W. Smalley

The composition of our Compensation Committee has changed during the last financial year. Mr. Andrew Jackson was a member of the Compensation Committee until January 27, 2005, when he ceased to be a director of the Corporation. None of the members of our Compensation Committee are or have ever been an officer or employee of the Corporation or its subsidiaries, or had or have any relationship that requires disclosure in respect of indebtedness owed to the Corporation or any interest in material transactions involving the Corporation. In addition, none of our executive officers have served on the compensation committee of another issuer whose executive officer is a member of our Compensation Committee or Board of Directors.

Report on Executive Compensation

The Compensation Committee is responsible for making recommendations to the Board of Directors regarding the compensation to be paid to the CEO and the CFO (the "Executive Officers") of the Corporation.

The Corporation's compensation package for its executive officers consists of base salary, bonuses and the granting of stock options under its incentive stock option plan. Executive compensation is linked to the performance of the Corporation and the individual, with the goal of ensuring that the total compensation is at a level that ensures the Corporation is capable of attracting, motivating and retaining individuals with exceptional executive skills.

Base Salary and Bonus

Base salaries are established by comparison to competitive salary levels of other technology industry companies of comparable size and complexity. Base salaries are affected by factors particular to the individual, such as experience and level of responsibility.

Bonuses of cash are used to reward executive officers for achievement of objectives during a fiscal year. The performance of the particular executive, as well as the Corporation's performance, is considered in determining whether a bonus will be paid and the amount of such bonus.

Stock Options

The Corporation utilizes grants of stock options under its incentive stock option plan as the long-term incentive portion of its overall compensation package for its executive officers. The goal is to ensure that an incentive exists to maximize shareholder value by linking executive compensation to share price performance and to reward those executives making a long-term commitment and contribution to the Corporation.

President and Chief Executive Officer's 2005 Compensation

The compensation of the CEO is determined in accordance with the considerations described above for the compensation of the Corporation's executive officers. Mr. Gin has been the President and CEO of the Corporation since its inception. The Committee considered such factors as Mr. Gin's responsibilities and contribution to the performance of the Corporation, his setting of long-term strategic goals, and his selection and supervision of the executive management group. Based on the foregoing, the Compensation Committee concluded that Mr. Gin's current base salary is appropriate, and therefore no adjustment was made during the year. A bonus of \$10,000 was paid to Mr. Gin and no additional options were granted. In arriving at these compensation levels, the committee

considered the overall performance of the Corporation as well as non-financial contributions by Mr. Gin. As the Corporation refines its strategic planning process, target levels of performance-related factors will result and form the basis for assessment against these targets in the future.

Chief Financial Officer's 2005 Compensation

The compensation of the CFO is determined in accordance with the considerations described above for the compensation of the Corporation's executive officers. Mr. Krepiakevich has been the CFO of the Corporation since 2000. The Committee considered such factors as Mr. Krepiakevich's financial reporting and financial management of the Corporation, his role in planning the future of the organization as well as appropriate hiring and retention of personnel within his mandate. Based on the foregoing, the Compensation Committee concluded that Mr. Krepiakevich's current base salary is appropriate, and therefore no adjustment was made during the year. A bonus of \$10,000 was paid to Mr. Krepiakevich and no additional options were granted. In arriving at these compensation levels, the committee considered the overall performance of the Corporation as well as non-financial contributions by Mr. Krepiakevich. As the Corporation refines its strategic planning process, target levels of performance-related factors will result and form the basis for assessment against these targets in the future.

Submitted by the Compensation Committee:

Robert D. Wiens
David W. Smalley

Incentive Stock Option Plan

We currently have an incentive stock option plan (the "Option Plan") for officers, directors, employees and other service providers to the Corporation or its subsidiaries, together with a United Kingdom stock option sub-plan (the "Sub-Plan" and, together with the Option Plan, the "Plan") for officers, directors and employees of its subsidiary, Derwent Systems Limited ("Derwent"), which together permit the granting of options ("Options") to purchase up to a maximum of 2,300,000 Common Shares (representing approximately 14% of the issued and outstanding Common Shares as of the date hereof), which have been authorized for issuance under the Option Plan. As of the date hereof, 1,509,000 Options to purchase 1,509,000 Common Shares (representing approximately 9.3% of the issued and outstanding Common Shares as the date hereof) are issued and outstanding under the Plan and a total of 169,172 Options remain available under the Plan. Under the Plan, 2,300,000 Common Shares of the Corporation are reserved for issuance, of which, as of the date hereof, an aggregate of 621,828 Common Shares have been issued pursuant to the exercise of options, leaving 1,678,172 Common Shares reserved for issuance under the Plan. Options which have expired, were cancelled or otherwise terminated without having been exercised are available for subsequent grants under the Option Plan.

The following table is as of September 30, 2005.

	Number of securities to be issued upon exercise of outstanding options, warrants and rights ⁽¹⁾	Weighted-average exercise price of outstanding options, warrants and rights ⁽¹⁾	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) ⁽¹⁾
Plan Category	(a)	(b)	(c)
Equity compensation plans approved by securityholders	NIL	---	NIL
Equity compensation plans not approved by securityholders ⁽²⁾	1,514,000	\$1.98	164,172
Total	1,514,000		164,172

(1) As of September 30, 2005.

(2) We have one equity compensation plan which is described herein. Although the Plan was not approved by our Shareholders as it was adopted prior to the completion of our IPO, the increase in the number of Common Shares reserved for issuance under options granted under the Plan from 1,500,000 to 2,300,000 and the increase in the number of Common Shares that may be reserved for issuance pursuant to options granted to insiders were approved by our Shareholders at our annual meeting held on January 28, 2003.

The Plan provides that the Board of Directors may from time to time grant Options to acquire all or part of the Common Shares subject to the Plan to employees, officers, directors or other service providers to the Corporation or its subsidiaries. The Options are non-assignable and non-transferable otherwise than by will or by laws governing the devolution of property in the event of death. Each Option entitles the holder to one Common Share, subject to certain adjustments. The exercise price for Options granted pursuant to the Option Plan will be determined by the Board of Directors on the date of the grant, which price may not be less than the market value. Market value is defined under the Option Plan as the closing price of the Common Shares on The Toronto Stock Exchange (the "TSX") on the trading day immediately preceding the grant day and if there is no closing price, the last sale prior thereto. With respect to Options granted under the Sub-Plan, the exercise price of the Option must also not be less than the market value as agreed to with the applicable UK authorities. The term of the Options granted is determined by the Board of Directors, which term may not exceed a maximum of ten years from the date of the grant.

Options granted under the Plan vest in increments of $1/6^{\text{th}}$ at the three month intervals, commencing on the date which is three months from the grant date. Options granted under the Option Plan may be exercised as soon as they have vested; those granted under the Sub-Plan may not be exercised, however, earlier than the third anniversary of their grant date, subject to certain exceptions. Pursuant to the Plan, additional terms and conditions may be imposed by the Directors on options granted under the Plan. The Plan does not contemplate that the Corporation will provide financial assistance to any optionee in connection with the exercise of Options.

The total number of Common Shares that may be reserved for issuance to any one participant pursuant to Options granted under the Option Plan may not exceed 5% of the Common Shares outstanding (on a non-diluted basis) on the grant date of the Options. The maximum number of Common Shares that may be issued to our insiders pursuant to Options granted under the Option Plan within any one-year period, when taken together with the number of Common Shares issued to such insiders under our other previously established or proposed share compensation arrangements, may not exceed 10% of the issued and outstanding Common Shares on a non-diluted basis at the end of such period and, in the case of any one insider and his associates, may not exceed 5% of such issued and outstanding Common Shares. The maximum number of Common Shares that may be reserved for issuance under Options granted to insiders and their associates under the Option Plan together with the number of Common Shares reserved for issuance to such insiders and their associates under our other previously established or proposed share compensation arrangements may not exceed 15% of the issued and outstanding Common Shares on a non-diluted basis at the grant date of the Options. In addition, the aggregate market value of Common Shares as determined under applicable UK law, which may be acquired by an eligible participant pursuant to the exercise of an Option granted under the Sub-Plan, may not exceed £30,000.

Unless otherwise determined by the Board in accordance with the terms of the Plan, if the holder of the Option ceases to be an eligible participant under a Plan due to:

- (a) retirement, disability, redundancy or the date the affiliate the holder is employed by, has ceased to be an affiliate of the Corporation, the holder has up to 180 days to exercise any vested Options;
- (b) termination of employment within the six months following a change of control, the holder has 90 days from the date of such termination to exercise vested Options;
- (c) death, the holder's estate has 180 days to exercise vested Options;
- (d) any reason other than death, disability, retirement, redundancy, change of control or cause, the holder has 30 days to exercise vested Options;

provided that no Option may be exercised following the expiration of the applicable exercise period.

In the event that we:

- (a) subdivide, consolidate, or reclassify our outstanding Common Shares, or make another capital adjustment or pay a stock dividend, the number of Common Shares receivable under the Plan will be increased or reduced proportionately; and
- (b) amalgamate, consolidate with or merge with or into another body corporate, holders of Options under the Plan will, upon exercise thereafter of such Option, be entitled to receive and compelled to accept, in lieu of Common Shares, such other securities, property or cash which the holder

would have received upon such amalgamation, consolidation or merger if the Option was exercised immediately prior to the effective date of such amalgamation, consolidation or merger.

Any adjustments to Options granted under the Sub-Plan are subject, where required, to approval of applicable UK authorities.

Subject, where required, to the approval of the TSX, and/or applicable securities regulatory authorities and applicable UK authorities, the Board may, from time to time amend, suspend or terminate the Plan in whole or in part. Pursuant to TSX requirements, shareholder approval is required for amendments that involve:

- (a) amendments to the number of securities issuable under the arrangement, including an increase to a fixed maximum number or a fixed maximum percentage or a change from a fixed maximum number to a fixed maximum percentage;
- (b) the introduction of a provision permitting reloading upon exercise;
- (c) any change to the eligible participants which would have the potential of broadening or increasing insider participation;
- (d) the addition of any form of financial assistance;
- (e) any amendment to the financial assistance provision which is more favourable to participants;
- (f) the addition of a cashless exercise feature, payable in cash or securities, which does not provide for a full deduction of the number of underlying securities from the reserved shares;
- (g) the addition of a deferred or restricted share unit or any other provision which results in participants receiving securities while no cash consideration is received by the issuer; and
- (h) in circumstances where the amendment could lead to a significant or unreasonable dilution in the issuer's outstanding securities or may provide additional benefits to eligible participants, especially insiders at the expense of the issuer and its existing securityholders.

In addition, the Option Plan and any outstanding Options may be amended or terminated by the Board if the amendment or termination is required by any securities regulators, a stock exchange or a market as a condition of approval to a distribution to the public of the Common Shares or to obtain or maintain a listing or quotation of our Common Shares.

The Board may also amend or terminate any outstanding Option, including, but not limited to, substituting another award of the same or of a different type or changing the date of exercise; provided, however, that the holder of the Option must consent to such action if it would materially and adversely affect the holder. The exercise price of any outstanding Option granted to an insider may not be reduced unless disinterested shareholder approval is obtained in accordance with regulatory requirements. In the case of Options granted under the Sub-Plan the foregoing changes may occur only if the changes have, where required, been approved by the applicable UK authorities.

A copy of the Plan may be obtained by any Shareholder by request to the Secretary of the Corporation at the number and address on the first page of this Management Proxy Circular.

Indemnification of Directors or Officers

We did not make any indemnification payments to our directors or officers this financial year.

Directors' and Officers' Insurance

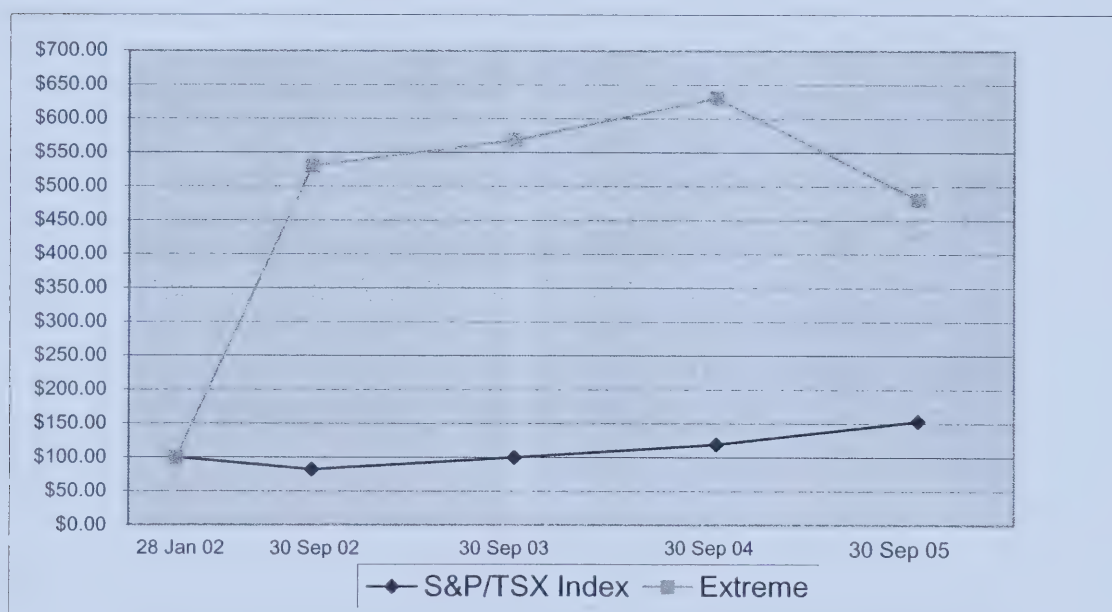
We maintain liability insurance for our directors and officers in the aggregate amount of \$5,000,000 with no deductible loss payable by the Corporation for losses incurred within Canada and a deductible of \$50,000 payable by the Corporation for losses outside Canada. The current annual premium of \$23,000 is paid by the Corporation.

Performance Graph

The Corporation became a reporting issuer in Canada on January 17, 2002 and its Common Shares commenced trading on the TSX Venture Exchange (formerly, the Canadian Venture Exchange) on January 28, 2002 at \$0.50 per Common Share. On March 24, 2003 our Common Shares were listed on the Toronto Stock Exchange (the "TSX") and trade under the symbol "EXC". Concurrent with the listing on the TSX, we delisted from the TSX Venture Exchange.

Assuming an initial investment of \$100, the following graph illustrates the cumulative total shareholder return on the Corporations' Common Shares relative to the cumulative total return on the S&P/TSX Composite Index for the period commencing from the date our Common Shares commenced trading on the TSX Venture Exchange until September 30, 2005. The price per Common Share used to determine the number of shares held in the initial investment of \$100 on January 28, 2002 is \$0.50, the Common Share price set out in our initial public offering by prospectus.

**CUMULATIVE VALUE OF A \$100 INVESTMENT
ASSUMING REINVESTMENT OF DIVIDENDS**



	Jan. 28, 2002	Sept. 30, 2002	Sept. 30, 2003	Sept. 30, 2004	Sept. 30, 2005
S&P/TSX Index	\$100	\$82	\$100	\$119	\$154
Extreme	\$100	\$530	\$568	\$630	\$480

Compensation of Directors

Directors who are also officers of the Corporation do not receive compensation for acting in their capacity as directors. Directors who are not officers of the Corporation receive a fee of \$5,000 every three months. Committee members who are not officers are paid an additional \$1,000 per year and a fee of \$500 per committee meeting. The directors who are not officers of the Corporation were paid the following amounts as director's fees for the year ended September 30, 2005:

L.K. (Larry) Doan	\$20,000
Thomas A. Kordyback ⁽¹⁾	\$16,250
J. Bryan McKnight	\$25,000

David W. Smalley	\$26,750
Robert D. Wiens	\$28,750
Andrew Jackson ⁽²⁾	\$7,750

(1) Mr. Kordyback was appointed a director on January 27, 2005.

(2) Mr. Jackson ceased to be a director on January 27, 2005.

Options to purchase Common Shares may also be awarded to directors who are not officers of the Corporation at the discretion of the Board of Directors pursuant to the Plan. For the year ended September 30, 2005, no options were granted to any directors who are not officers of the Corporation.

CORPORATE GOVERNANCE

Our Board is responsible for the supervision of the management of the Corporation's business and affairs. It is currently composed of six directors, five of whom are non-management directors. The Board has established four committees of directors, being the Audit Committee, the Governance Committee, the Compensation Committee and the Mergers and Acquisitions Committee.

The Board monitors governance regulatory pronouncements and, where appropriate, amends its corporate governance practices to align with current requirements.

Board of Directors

The Board is currently comprised of six directors. The independent status of each individual director is reviewed annually by the Board. The Board considers a director to be independent if he has no direct or indirect material relationship with the Corporation, which in the view of the Board of Directors could reasonably be perceived to materially interfere with the exercise of the director's independent judgment. The Board has determined that four of the directors are independent as set out below:

Thomas A. Kordyback
J. Bryan McKnight
David W. Smalley
Robert D. Wiens

Jack Gin, our chair, is a member of our management and a major shareholder and therefore is not an independent director. Larry Doan was a member of our management last year and therefore is not an independent director.

The majority of the directors are independent. The Board examines its size annually to determine whether the number of directors is appropriate. In that regard the Board is satisfied that its current number of directors is appropriate, providing a diversity of views and experience while maintaining efficiency. The Board believes that the composition of the Board fairly represents the interests of Shareholders other than its significant shareholders.

As noted above, our Chair is not considered independent of management. Given the state of the Corporation's development, at this time the Board does not intend to appoint an independent Chair. Instead, the Board uses its committee structure to facilitate the functioning and operation of the Board independently of management. The Board is reviewing the adoption of a lead director, but at this time no commitment to having a lead director has been made.

In addition, the independent directors have recently instituted a practice whereby they hold regularly scheduled meetings at which members of management are not in attendance. During the year ended September 30, 2005, one such meeting was held where management was not present.

The Board believes that all directors should attend all meetings of the Board and all meetings of each committee of which a director is a member. The following table summarizes directors' attendance at Board meetings from October 1, 2004 to September 30, 2005:

Name	Board Meetings Attended
L.K. (Larry) Doan	5 of 6
J.M. (Jack) Gin	6 of 6
Andrew Jackson ⁽¹⁾	1 of 1
Thomas A. Kordyback ⁽²⁾	5 of 5

Name	Board Meetings Attended
Terry Krepiakovich ⁽¹⁾	1 of 1
J. Bryan McKnight	6 of 6
David W. Smalley	6 of 6
Robert D. Wiens	5 of 6

- (1) Mr. Jackson and Mr. Krepiakovich ceased to be directors on January 27, 2005.
(2) Mr. Kordyback was appointed a director on January 27, 2005.

See “Election of Directors” above for more information about each director, including directorship of other reporting issuers in Canada or in a foreign jurisdiction and share ownership.

Board Mandate

In December 2005, the Board adopted a written charter in which it has explicitly assumed responsibility for our stewardship and responsibility for overseeing the management of our business. The Board carries out its mandate directly or through its committees described below and the CEO.

The text of the Board’s mandate, referred to as the Charter of the Board of Directors, is attached as Appendix A to this Management Proxy Circular.

Position Descriptions

The Board has developed written terms of reference for the chair of each committee. The Board and the CEO have not developed written position descriptions for the CEO and Chair, but will have shortly after the January 2006 Annual General Meeting. Until the written position descriptions are developed, the CEO and the Board agree that the CEO is responsible for day-to-day operational management and Board approval is required for any other matters.

Orientation and Continuing Education.

The Board has an informal process for the orientation of new Board members regarding the role of the board, its committees and its directors and the nature of operation of the business. New directors meet with senior management, incumbent directors and tour our facilities.

Directors are made aware of their responsibility to keep themselves up to date with best director and corporate governance practices and are encouraged and funded to attend seminars that will increase their own and the Board’s effectiveness.

Ethical Business Conduct Skills and Knowledge

The Board has not adopted a written code for our directors, officers and employees. We anticipate adopting a written code shortly after the January 2006 Annual General Meeting.

The Board requires that directors provide disclosure to it of all boards and committees of which they are members, and all offices held, at other reporting issuers. We also require conflicts of interest to be disclosed to our Governance Committee. In the event that conflicts of interest arise, a director who has such a conflict is required under the CBCA to disclose the conflict and (except in limited circumstances permitted by the CBCA) to abstain from voting for or against the approval of the matter. In addition, in considering transactions and agreements in respect of which a director has a material interest, the Board will require that the interested person absent themselves from portions of Board or committee meetings so as to allow independent discussion of points in issue and the exercise of independent judgment. In appropriate cases, we may also establish a special committee of independent directors to review a matter in which directors or management may have a conflict.

The Board has in place a policy whereby individual directors may engage outside advisors at the Corporation’s expense, subject to the approval of the Governance Committee if the expense is over \$5,000.

Nomination of Directors

With advice and input from the Governance Committee, the Board, in identifying new candidates for board nomination, will:

- (a) consider what competencies and skills the board, as a whole, should process;
- (b) assess what competencies and skills each existing director possesses; and
- (c) consider the appropriate size of the board, with a view to facilitating effective decision-making.

The nomination of directors is undertaken by the Governance Committee, a committee composed entirely of independent directors. The Committee reviews the composition of the Board annually, assesses the effectiveness of the board annually, identifies new candidates for nomination as directors to the Board and makes recommendations to the Board for nominees for election as directors. In that regard, the Governance Committee considers the competencies and skills each new nominee will bring to the boardroom and whether or not each new nominee can devote sufficient time and resources to his or her duties as a board member.

The Terms of Reference for the Governance Committee are attached hereto as Appendix B.

Assessments

The Board, its committees and individual directors have not been regularly assessed with respect to their effectiveness and contribution. The Board is in the process of establishing an assessment process to be carried out during fiscal 2006.

Board Committees

The Board has established four committees of directors, being the Audit Committee, the Governance Committee, the Compensation Committee, and the Mergers and Acquisitions Committee. Each of the Committees is composed entirely of independent members.

Audit Committee

The Audit Committee is currently composed of Thomas A. Kordyback, J. Bryan McKnight and Robert D. Wiens. Mr. McKnight is the chair of the Audit Committee. Each member of the Committee is independent and financially literate.

Our Annual Information Form ("AIF") for the year ended September 30, 2004 sets out particulars regarding the Audit Committee's mandate, the experience and education of the members of the Audit Committee, the Audit Committee's pre-approval policies and procedures for non-audit services and the service fees paid to our Auditor, as well as other related matters. This information will be updated in our AIF for the year ended September 30, 2005 which we expect to file later this month.

Governance Committee

The Governance Committee is currently composed of J. Bryan McKnight, David W. Smalley and Robert D. Wiens. Mr. Smalley is the chair of the Governance Committee. The Governance Committee is responsible for and makes recommendations to the Board concerning the governance of the Corporation.

The Board has adopted the Terms of Reference for the Governance Committee, a copy of which is attached as Appendix B to this Management Proxy Circular.

Compensation Committee

The Compensation Committee is currently composed of David W. Smalley and Robert D. Wiens. The chair of the Compensation Committee is Mr. Wiens. Each of the members of the Committee is independent.

The Compensation Committee is responsible for reviewing and setting the adequacy and form of compensation for our executive officers and board members, and related matters.

The Board has adopted the Terms of Reference for the Compensation Committee, a copy of which is attached as Appendix B to this Management Proxy Circular.

Mergers and Acquisitions Committee

The Mergers and Acquisitions Committee is currently composed of David W. Smalley and Robert D. Wiens. The chair of the Committee is Mr. Smalley. The Mergers and Acquisitions Committee is responsible for reviewing corporate opportunities brought to its attention and for monitoring current investments.

APPOINTMENT OF AUDITORS

In accordance with the recommendation of the Audit Committee, the Board of Directors recommends the appointment of the firm of Deloitte & Touche LLP, Chartered Accountants, of Vancouver, British Columbia, as auditors of the Corporation to hold office until the close of the next annual meeting of Shareholders. It is also proposed that the directors be authorized to fix the auditors' remuneration.

Deloitte & Touche LLP are the successor auditors that have assumed the partners and staff of the Corporation's former auditors, Arthur Andersen, who were previously responsible for the audit of the Corporation. Arthur Andersen were first appointed as auditors of the Corporation in February, 2001 and were replaced by Deloitte & Touche LLP on June 3, 2002.

PARTICULARS OF OTHER MATTERS TO BE ACTED UPON: AMENDMENT TO INCENTIVE STOCK OPTION PLAN

As noted above we have an incentive stock option plan. The purpose of the Plan is to assist the Corporation in attracting, retaining and motivating directors, officers, employees and other service providers of the Corporation and of its subsidiaries and to closely align the personal interests of those directors, officers, employees, and other service providers with those of the shareholders by providing them with the opportunity, through Options, to acquire Common Shares in the capital of the Corporation. A copy of the Plan may be obtained by any Shareholder upon request from our Corporate Secretary. See "Incentive Stock Option Plan" above for a description of the Plan.

The Plan provides for a maximum of 2,300,000 Common Shares or approximately 14% of the outstanding Common Shares of the Corporation to be reserved, set aside and made available for issue under and in accordance with the Plan. As of the date hereof, 621,828 Common Shares have been issued pursuant to the exercise of 621,828 Options, leaving 1,678,172 Common Shares reserved for issuance under the Plan.

We wish to make certain amendments to the Plan to adopt recently established requirements of the TSX and other securities authorities in the jurisdictions in which we report and to comply with requirements under applicable UK law as well as make certain drafting changes to the Plan. In addition, we wish to increase the maximum number of Common Shares issuable pursuant to the exercise of the Options granted under the Plan to ensure sufficient Options are available to allow the Corporation to maintain its policy of granting Options to directors, officers, employees and other service providers of the Corporation by adopting a reloading provision. A copy of the amended and restated Plan is attached as Appendix C to this Management Proxy Circular. We have also attached, as Appendix D to this Management Proxy Circular, a blackline of the amended and restated Plan showing the changes proposed to be made to on the current Plan.

The key amendments to the Plan are as follows:

- adding a provision which permits reloading of Common Shares i.e., permitting Options that have been exercised to be available for subsequent grants under the Plan and the reservation and issuance of additional Common Shares pursuant to such Options, which provision would need to be reconfirmed every three years in accordance with TSX requirements;
- reducing the current 15% limitation imposed on the number of Common Shares that may be reserved for issuance to insiders on the date of grant, to 10%;
- removing the limitation which prohibits more than 5% of the issued and outstanding Common Shares to be issued to an insider and his associates within any one year period;
- expanding eligible participants to include personal holding companies and certain registered plans and permitting transfer of Options to such participants;
- modifying the vesting schedule;

- prohibiting the reduction of the exercise price of any outstanding Options without first obtaining Shareholder approval; and
- requiring the Plan to be reconfirmed by the Shareholders every three years.

If the amendments to the Plan are approved, the reload provision would, as of the date hereof, result in an additional 621,828 Common Shares being reserved for issuance under the Plan and as Options are exercised, the number of Common Shares issued upon exercise of the exercised Options would be added to the number of Common Shares reserved for issuance pursuant to the reload provision under the Plan.

The amendments to the Plan and the adoption of a reload provision are subject to receipt of all necessary regulatory approvals, including the TSX. The TSX requires the Corporation to obtain shareholder approval to make these amendments to the Plan and to adopt a reload provision. In order to comply with the requirements of the TSX, the amendments to the Plan must be approved by an ordinary resolution of the Shareholders. The TSX does not require that disinterested shareholder approval be obtained in respect of the amendments to the Plan.

Accordingly, at the Meeting, Shareholders will be asked to consider and, if thought appropriate, to pass an ordinary resolution approving the amended and restated Plan attached as Appendix C to the Management Proxy Circular, which incorporates amendments to the Plan as indicated in the blackline of the amended and restated Plan attached as Appendix D to this Management Proxy Circular, and adopting a reload provision. The full text of this resolution is set out below.

Shareholders are being asked to consider and vote upon the following resolution to approve amendments to the Plan.

“BE IT RESOLVED THAT:

1. The Plan be amended to adopt the reload provision set out in Section 4.4 of the amended and restated Plan set out in Appendix C of the Management Proxy Circular and to approve the increase in the number of Common Shares that may be issued pursuant to options granted under the Plan and the reload provision, as set out in Sections 4.1 and 4.4 of the amended and restated Plan;
2. The amended and restated Plan as set out in Appendix C to the Management Proxy Circular be and is hereby approved with an effective date of January 26, 2006; and
3. Any officer of the Corporation be and is hereby authorized and directed, for and on behalf of the Corporation, to execute and deliver or file such documents and instruments and to do all such other acts and things as are required or as such officer, in such officer's sole discretion, may deem necessary to give full effect to or carry out the provisions of the above resolutions.”

The foregoing Resolution will require approval by a majority of votes cast on the matter at the Meeting. Unless otherwise instructed, the management nominees named in the form of Proxy accompanying this Management Proxy Circular will vote “FOR” the Resolution.

INTEREST OF CERTAIN PERSONS IN MATTERS TO BE ACTED UPON

Other than as set forth in this Management Proxy Circular, none of the directors or senior officers of the Corporation, nor any person who has held such a position since the beginning of the last completed financial year of the Corporation, nor any proposed nominee for election as a director of the Corporation, nor any of their respective associates or affiliates, has any substantial or material interest, direct or indirect, by way of beneficial ownership of securities or otherwise, in any matter to be acted upon at the Meeting.

SHAREHOLDERS PROPOSALS

Pursuant to Section 137 of the CBCA, any notice of a Shareholder proposal intended to be raised at the annual meeting of Shareholders of the Corporation to be held during 2007 must be submitted to the Corporation at its registered office, to the attention of the Secretary, on or before September 21, 2006, to be considered for inclusion in the management proxy circular for that annual meeting of the Shareholders.

It is the position of the Corporation that Shareholder proposals need be recognized only if made in accordance with the foregoing procedure and the provisions of the CBCA.

REPORTS

The Corporation's Annual Report to Shareholders containing the comparative financial statements for the financial year ended September 30, 2005 and related management's discussion and analysis ("MD&A") will be delivered to Shareholders together with this Management Proxy Circular in accordance with applicable corporate and securities laws. The Corporation's AIF for the year ended September 30, 2005, will be available in due course upon written request to the Secretary of the Corporation and on the SEDAR website under the Corporation's name.

INDEBTEDNESS OF DIRECTORS AND EXECUTIVE OFFICERS

Other than as set forth herein, no director, executive officer, proposed nominee for election as a director, nor any of their respective associates or affiliates is or has been at any time since the beginning of the last completed financial year indebted to the Corporation.

INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

Other than as disclosed herein, the Corporation is not aware of any material interest of any Shareholder who holds more than 10% of the voting rights attached to the Common shares, any proposed nominee for election as a director, any director or officer of the Corporation or subsidiary of the Corporation or any Shareholder who holds more than 10% of the voting rights attached to the Common Shares of the Corporation or any associate or affiliate of any of the foregoing, in any transaction which has been entered into since the commencement of the Corporation's most recent completed financial year or in any proposed transaction which, in either case, has materially affected or will materially affect the Corporation or any of its subsidiaries.

ADDITIONAL INFORMATION

Additional information relating to the Corporation is available at www.sedar.com under the Corporation's name. Financial information is provided in the Corporation's comparative financial statements and MD&A for its most recently completed financial year. Copies of the Corporation's financial statements and MD&A can be obtained from the Secretary of the Corporation by contacting the Secretary at the number or address listed on the first page of this Management Proxy Circular. Copies of such documents will be provided to shareholders free of charge.

APPROVAL

The contents and the sending of this Management Proxy Circular have been approved by the Board of Directors of the Corporation.

DATED at Burnaby, British Columbia, as of the 5th day of December, 2005.

By Order of the Board of Directors

(signed) **J.M. (Jack) Gin**
President and Chief Executive Officer

APPENDIX “A”

Extreme CCTV Inc. (the “Company”)

Charter of the Board of Directors

I. INTRODUCTION

- A. The Board’s primary responsibility is to foster the long-term success of the Company consistent with Board’s fiduciary responsibility to the shareholders to maximize shareholder value.
- B. The Board of Directors has plenary power. Any responsibility not delegated to management or a committee of the Board remains with the Board. This Charter is prepared to assist the Board and management in clarifying responsibilities and ensuring effective communication between the Board and management.

II. COMPOSITION AND BOARD ORGANIZATION

- A. Nominees for directors are initially considered and recommended by the Governance Committee of the Board, approved by the entire Board and elected annually by the shareholders of the Company. Generally, former employees and professionals who provided services to the company are not nominated for at least three years after leaving their employment with the Company.
- B. The Board must be comprised of a majority of members who have been determined by the Board to be independent. Generally, a member is independent if the member has no direct or indirect relationship which could, in the view of the Board, reasonably interfere with the exercise of a member’s independent judgment. Specific criteria are available to assist in this determination.
- C. Directors who are not members of management will meet on a periodic basis to discuss matters of interest independent of any influence from management.
- D. Certain of the responsibilities of the Board referred to herein may be delegated to committees of the Board. The responsibilities of those committees will be as set forth in their Charter, as amended from time to time.

III. DUTIES AND RESPONSIBILITIES

A. Managing the Affairs of the Board

The Board operates by delegating certain of its authorities, including spending authorizations, to management and by reserving certain powers to itself. Subject to the Articles and By-laws of the Company, the Board retains the responsibility for managing its own affairs, including:

- i. Planning its composition and size;
- ii. Selecting its Chair;
- iii. Nominating candidates for election to the Board;
- iv. Determining independence of Board members;
- v. Approving committees of the Board and membership of directors thereon;
- vi. Determining director compensation; and
- vii. Assessing the effectiveness of the Board, committees and directors in fulfilling their responsibilities.

B. Management and Human Resources:

The Board has the responsibility for:

- i. The appointment and succession of the Chief Executive Officer (CEO) and monitoring CEO performance, approving CEO compensation and providing advice and counsel to the CEO in the execution of the CEO's duties;
- ii. To the extent feasible, satisfying itself as to the integrity of the CEO and other executive officers and that the CEO and other executive officers create a culture of integrity throughout the organization.
- iii. Approving a position description for the CEO;
- iv. Reviewing CEO performance at least annually, against agreed-upon written objectives;
- v. Approving decisions relating to senior management, including the:
 - a. Appointment and discharge of officers of the Company and members of the senior leadership team;
 - b. Compensation and benefits for members of the senior leadership team;
 - c. Acceptance of outside directorships on public companies by executive officers (other than not-for-profit organizations);
 - d. Annual corporate and business unit performance objectives utilized in determining incentive compensation or other awards to officers; and
 - e. Employment contracts, termination and other special arrangements with executive officers, or other employee groups if such action is likely to have a subsequent material impact on the Company or its basic human resource and compensation policies.
- vi. Taking all reasonable steps to ensure succession planning programs are in place, including programs to train and monitor senior management;
- vii. Approving certain matters relating to all employees, including:
 - a. The annual salary policy/program for employees;
 - b. New benefit programs or changes to existing programs that would create a significant change in cost to the Company; and
 - c. Benefits granted to retiring employees outside of benefits received under approved pension and other benefit programs.

C. Strategy and Plans

The Board has the responsibility to:

- i. Adopt a strategic planning process and approve, on at least an annual basis, a strategic plan which takes into account, among other things, the opportunities and risks to the business
- ii. Approve capital budgets and related operating plans;
- iii. Approve financial and operating objectives used in determining compensation;
- iv. Approve the entering into, or withdrawing from, lines of business that are, or are likely to be, material to the Company;

- v. Approve material divestitures and acquisitions; and
- vi. Monitor management's achievements in implementing major corporate strategies and objectives, in light of changing circumstances.

D. Financial and Corporate Issues

The Board has the responsibility to:

- i. Take reasonable steps to ensure the implementation and integrity of the Company's internal control and management information systems;
- ii. Monitor operational and financial results;
- iii. Approve annual and quarterly financial statements, and related Management's Discussion and Analysis, and press releases;
- iv. Approve the Management Proxy Circular, Annual Information Form and documents incorporated by reference therein;
- v. Approve any dividends;
- vi. Approve financings, changes in authorized capital, issue and repurchase of shares, issue of debt securities, listing of shares and other securities, issue of commercial paper, and related prospectuses and trust indentures;
- vii. Recommend the appointment of external auditors and approve auditors' fees;
- viii. Approve banking resolutions and significant changes in banking relationships;
- ix. Approve contracts, leases and other arrangements or commitments that may have a material impact on the Company;
- x. Approve spending authority guidelines; and
- xi. Approve the commencement or settlement of litigation that may have a material impact on the Company.

E. Business and Risk Management

The Board has the responsibility to:

- i. Take all reasonable steps to ensure that management has identified the principal risks of the Company's business and implemented appropriate strategies to manage these risks, understands the principal risks and achieves a proper balance between risks and benefits;
- ii. Review reports on capital commitments and expenditures relative to approved budgets;
- iii. Review operating and financial performance relative to budgets or objectives;
- iv. Receive on a periodic basis, reports from management on matters relating to, among others, ethical conduct, environmental management, employee health and safety, human rights, and related party transactions; and
- v. Assess and monitor management control systems by evaluating and assessing information provided by management and others (e.g. Internal and external auditors) about the effectiveness of management control systems.

F. Policies and Procedures

The Board has responsibility to:

- i. Monitor compliance with all significant policies and procedures by which the Company is operated;
- ii. Direct management to ensure the Company operates at all times within applicable laws and regulations and to the highest ethical and moral standards;
- iii. Provide policy direction to management while respecting its responsibility for day-to-day management of the Company's businesses; and
- iv. Review significant new corporate policies or material amendments to existing policies (including, for example, policies regarding business conduct and conflict of interest).
- v. Develop the Company's approach to corporate governance, including developing a set of corporate governance principles and guidelines that are specifically applicable to the Company.

G. Compliance Reporting and Corporate Communications

The Board has the responsibility to:

- i. Take all reasonable steps to ensure the company has in place effective disclosure and communication processes with shareholders and other stakeholders and financial, regulatory and other recipients, including adoption of a disclosure policy;
- ii. Approve interaction with shareholders on all items requiring shareholder response or approval;
- iii. Take all reasonable steps to ensure that the financial performance of the Company is adequately reported to shareholders, other security holders and regulators on a timely and regular basis;
- iv. Take all reasonable steps to ensure that financial results are reported fairly and in accordance with generally accepted accounting principles;
- v. Take all reasonable steps to ensure the timely reporting of any other developments that have significant and material impact on the Company; and
- vi. Report annually to shareholders on the Board's stewardship for the preceding year (the Annual Report).
- vii. Adopt measures for receiving feedback from stakeholders.

IV. GENERAL OBLIGATIONS OF THE BOARD OF DIRECTORS

A. The Board is responsible for:

- i. Directing management to ensure legal requirements have been met and documents and records have been properly prepared, approved and maintained;
- ii. Approving changes in the Company's legal structure, By-laws and Articles of Incorporation, matters requiring shareholder approval, and agendas for shareholder meetings;
- iii. Performing such functions as it reserves to itself or which cannot, by law, be delegated to Committees of the Board or to management.

B. Board Members are individually responsible for:

- i. Acting honestly and in good faith with a view to the best interests of the Corporation and exercising the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances; and

- ii. Committing whatever time may be necessary to fulfill the mandate of the Board. Members should prepare for Board meetings by reviewing the materials sent to them for discussion at the meetings, as well as other material they feel is necessary. Members are expected to attend (in person or by telephone) all meetings of the Board and to participate through asking relevant questions and expressing opinions on items being discussed.

Note: For purposes of this charter, “material” includes a transaction or a series of related transactions that would, using reasonable business judgment and assumptions, have a meaningful impact on the Company. The impact could be relative to the Company’s financial performance and liabilities, as well as its reputation.

APPENDIX “B”

Extreme CCTV Inc. (the “Company” or “Extreme”)

Terms of Reference for the Governance Committee and Compensation Committee

Governance Committee

TERMS OF REFERENCE

I. PURPOSE

The Governance Committee (the “Committee”) is responsible for the development and supervision of the Company’s approach to corporate governance. It provides a focus on governance that enhances the Company’s performance and meets or exceeds regulatory requirements, assesses and makes recommendations regarding the effectiveness of the Board of Directors (“the Board”) and establishes and leads the process for identifying, recruiting, appointing, re-appointing and providing ongoing development for directors. It also addresses succession planning, development and training for the CEO.

II. COMPOSITION AND OPERATIONS

- A. The Committee and its Chair are appointed by the Board of Directors. It is composed of not fewer than three directors, a majority of whom will be independent directors.
- B. The Committee meets at least two times per year
- C. The quorum for the Committee is a majority of it’s members.

III. DUTIES AND RESPONSIBILITIES

Subject to the powers and duties of the Board, the Committee will:

- A. Annually review the Board’s relationship with management to ensure the Board is able to, and in fact does, function independently of management.
- B. Recommend to the Board, nominees for election to the Board on an annual basis and as required during the year taking into account consideration of the following:
 - i. The independence of each director;
 - ii. The competencies and skills the Board, as a whole, should possess;
 - iii. The current strengths, skills and experience represented by each director;
 - iv. Retirement dates;
 - v. The appropriate size of the Board, with a view to facilitating effective decision-making; and
 - vi. Strategic direction of the Company
- C. Review periodically for Board approval, a Governance Manual outlining the Company’s governance policies and procedures, including the terms of reference for the Board, the Board Chair and CEO, CFO and committees of the Board.
- D. In consultation with the Board Chair, assess the needs of the Board in terms of the frequency and location of Board and committee meetings, meeting agendas, discussion papers, reports and information, and the conduct of meetings and make recommendations to the Board as required.

- E. In consultation with the Board Chair, recommend committee members and committee chair appointments to the Board for approval and review the need for, and the performance and suitability of, those committees and make recommendations as required.
- F. Review, monitor and make recommendations to the Board regarding the orientation and education of directors.
- G. Review the Board's needs for formal Board, committee and individual director evaluation processes; and develop and implement appropriate processes.
- H. Review and approve the request of an individual director to engage independent counsel in appropriate circumstances, at the Company's expense, where the costs of such counsel exceed \$5,000.
- I. With regard to the Company's code of Business Conduct and Ethics (the "Code"):
 - i. Review and update the Code periodically and ensure that management has established a system to enforce the Code:
 - ii. Review actions taken to ensure compliance with the Code and the results of confirmations and violations of such Code:
 - iii. Ensure the Code, any revisions to the Code and any waivers to the Code granted by the Board are disclosed in a manner that meets regulatory guidelines;
 - iv. Ensure that any departures from the Code by a director or senior officer that constitute a material change, are reported in a manner that fully meets regulatory requirements.
- J. Annually compare the Company's corporate governance practices against those recommended or required by any applicable regulator or stock exchange. Ensure the Company meets all requirements, and where the Company's practices differ from recommended practices, recommend to the Board whether this situation continues to be in the best interests of the Company.
- K. Develop for Board approval an annual report of Extreme's governance practices. This report shall include adequate detail to meet or exceed any regulatory or legal governance disclosure requirements, in addition to any additional disclosure the Board deems important. The Committee will communicate with other Board committees as necessary regarding disclosure of items under their respective mandates.
- L. Recommend to the Board any reports on corporate governance that may be required or considered advisable.
- M. At the request of the Board, undertake such other corporate governance initiatives as may be necessary or desirable to contribute to the success of the Company.
- N. Review (and make recommendations on, as required) the Company's planning processes including the development and preparation of:
 - i. strategic, long-term plans
 - ii. annual operating plans, and
 - iii. annual operating budget
- O. Address succession planning, development and training for the CEO position.

IV. ACCOUNTABILITY

The Committee chair has the responsibility to make periodic reports to the Board, as requested, on governance matters relative to the Company. The Committee will report its discussions to the Board by maintaining minutes of its meetings and providing an oral report at the next Board meeting.

Compensation Committee

TERMS OF REFERENCE

I. PURPOSE

This Compensation Committee (the “Committee”) is responsible for the development and supervision of the Company’s approach to compensation for directors, officers and senior management as well as bonuses and any increases in compensation to employees or staff that would have a material impact on the Company’s expenses. The Committee also oversees the administration of the Company’s stock option plan and ensures that the human resources development, succession planning for executive management (excluding the CEO) and performance evaluation programs are established and operating effectively.

II. COMPOSITION AND OPERATIONS

- A. The Committee and its Chair are appointed by the Board of Directors. It is composed of not fewer than three directors, all of whom will be independent directors.
- B. The Committee meets as required.
- C. The quorum for the Committee is a majority of its members.

III. DUTIES AND RESPONSIBILITIES

Subject to the powers and duties of the Board, the Committee will:

- A. Review and make recommendations regarding compensation issues, in particular:
 - i. Compensation philosophy and policies;
 - ii. Competitive positioning;
 - iii. Annually review the performance of the Chair and CEO and the CFO against predetermined goals and criteria, on behalf of the Board;
 - iv. Make recommendations to the Board for payments, awards and any other form of compensation to the Chair and CEO and the CFO under the Company’s salary and incentive plans; and
 - v. Make recommendations to the Board for annual aggregate incentive compensation payouts to management, including security based compensation arrangements.
- B. Review:
 - i. Executive management succession planning (excluding the CEO);
 - ii. Executive management development and training (excluding the CEO);
 - iii. Significant changes in organizational structure.
- C. Annually review the directors’ compensation program and make recommendations to the Board of Directors for approval.
- D. Ensure the effective administration of the Company’s stock option plans including the following:
 - i. Review recommendations by the Chair and CEO of stock option grants to employees (other than himself) and, if appropriate, recommend approval by the Board of Directors;
 - ii. Where appropriate, recommend to the Board of Directors approval of stock option grants to the Chair and CEO;

- iii. Ensure that all stock option grants are made in accordance with the terms of the Company's plans; and
 - iv. Review and, if appropriate recommend to the Board of Directors approval of the terms of any proposed new equity based plans or amendments to existing plans and prescribe and rescind rules and regulations relating to these plans.
- E. Develop for Board approval an annual report of the Company's compensation practices. This report will include sufficient detail to meet or exceed any regulatory or legal governance disclosure requirements, in addition to any additional disclosure the Board deems appropriate.
- F. Retain, as required, any compensation consultant or other outside professional at the expense of the Company when appropriate and necessary for the Committee to discharge its responsibilities.

IV. ACCOUNTABILITY

The Committee Chair has the responsibility to make periodic reports to the Board, as requested, on compensation matters relative to the Company. The Committee will report its discussions to the Board by maintaining minutes of its meetings and providing an oral report at the next Board meeting.

APPENDIX “C”

Amended and Restated Incentive Stock Option Plan

**INCENTIVE STOCK OPTION PLAN
OF EXTREME CCTV INC.**

**Amended and Restated as of January 28, 2003
and as of January 26, 2006**

1. Purpose of the Plan

1.1 The purpose of the Plan is to attract and retain superior directors, officers, advisors, employees and other persons or companies engaged to provide ongoing services to the Corporation, to provide an incentive for such persons to put forth maximum effort for the continued success and growth of the Corporation, and in combination with these goals, to encourage their equity participation in the Corporation.

2. Definitions

2.1 For the purposes of the Plan, the following terms have the respective meanings set forth below:

- (a) “Associate” has the same meaning ascribed to that term under Subsection 2.22 of NI 45-106;
- (b) “Affiliate” has the same meaning ascribed to that term in the OSA;
- (c) “Board” means the board of directors of the Corporation;
- (d) “Compensation Committee” means the committee of the Board constituted as provided in Section 3 hereof and if none is so constituted, means the full Board;
- (e) “Consultant” means a person, other than an employee, executive officer or director of the Corporation or of a Related Entity that:
 - (i) is engaged to provide services to the Corporation or a Related Entity other than services provided in relation to a distribution;
 - (ii) provides the services under a written contract with the Corporation or a Related Entity; and
 - (iii) spends or will spend a significant amount of time and attention on the affairs and business of the Corporation or Related Entity;

and includes for an individual consultant, a corporation of which the individual consultant is an employee or shareholder, and a partnership of which the individual consultant is an employee or partner;

- (f) “Corporation” means Extreme CCTV Inc., a corporation incorporated under the *Canada Business Corporations Act*, or its successors;
- (g) “Disability” means a physical injury or mental incapacity of a nature which the Board determines prevents or would prevent the Optionee from satisfactorily performing the substantial and material duties of his or her position with the Corporation;
- (h) “Eligible Person” means, from time to time, any director, executive officer or employee of the Corporation or of a Related Entity, any Consultant and any Permitted Assign;
- (i) “Exchange” means any exchange upon which the Shares are listed;
- (j) “Grant Date” means the date on which an Option is granted to an Eligible Person;
- (k) “Insider” has the meaning ascribed to that term as set out in the OSA and includes Associates and Affiliates of an Insider, but excludes a director or officer of a subsidiary or an Affiliate of the Corporation unless such director or senior officer
 - (i) in the ordinary course receives or has access to information as material facts or material changes concerning the Corporation before the material facts or material changes are generally disclosed;
 - (ii) is a director or senior officer of a major subsidiary (as defined in National Instrument 55-101); or
 - (iii) is an Insider of the Corporation in a capacity other than as a director or senior officer of the subsidiary or Affiliate;
- (l) “Market Value” of a Share means, on any given day:
 - (i) where the Share is not listed on an Exchange, the fair market value of a Share on that day determined by the Board in good faith; and
 - (ii) where the Share is listed on an Exchange, the last daily closing price per Share on the Exchange on the trading day immediately preceding the relevant date and if there was no sale on the Exchange on such date, then the last sale prior thereto;

- (m) “NI 45-106” means National Instrument 45-106 – Prospectus and Registration Exemptions;
- (n) “Option” means the right to purchase a Share under the Plan;
- (o) “Option Period” has the meaning ascribed to that term in Subsection 6.3 hereof;
- (p) “Option Price” means the price per Share at which Shares may be purchased under the Option, as determined pursuant to Paragraph 5.1(b) hereof and as may be adjusted in accordance with Section 10 hereof;
- (q) “Optionee” means an Eligible Person to whom an Option has been granted;
- (r) “OSA” means the *Securities Act* (Ontario);
- (s) “Permitted Assign” means for a person that is an employee, executive officer, director or Consultant of the Corporation or Related Entity, a holding entity (as defined in NI 45-106) of the person or an RRSP or RRIF of the person;
- (t) “Plan” means the Incentive Stock Option Plan of the Corporation as set forth herein as the same may be amended and/or restated from time to time;
- (u) “Redundancy” means the termination of employment due to the fact that,
 - (i) the person’s employer has ceased or intends to cease:
 - (A) to carry on business for the purposes of which the employee was employed by him, or
 - (B) to carry on that business in the place where the employee was so employed, or
 - (ii) the requirements of that business:
 - (A) for employees to carry out work of a particular kind, or
 - (B) for employees to carry out work of a particular kind in the place where the employee was employed by the employer,have ceased or diminished or are expected to cease or diminish;
- (v) “Related Entity” means a person that is controlled by the Corporation or is controlled by the same person that controls the Corporation and “control” for the purpose of this definition has the same meaning as set out in section 2.23 of NI 45-106;

- (w) “Retirement” means the termination of employment due to retirement of an Optionee on or after such Optionee’s normal retirement date under the applicable retirement plan or policy of his or her employer or due to early retirement with the consent of the Board;
- (x) “Regulators” has the meaning ascribed to that term in Section 11 hereof;
- (y) “Share” means a Common share without nominal or par value in the capital of the Corporation;
- (z) “Shareholder” means a registered holder of Shares;
- (aa) “U.K. Eligible Employee” has the meaning ascribed to that term as defined in the U.K. Sub-Plan; and
- (bb) “U.K. Sub-Plan” means the Corporation’s 2001 U.K. Approved Sub-Plan attached as Appendix B hereto.

2.2 Unless otherwise indicated, all dollar amounts referred to in this Option Plan are in Canadian funds.

2.3 As used in this Plan, words importing the masculine gender shall include the feminine and neuter genders and words importing the singular shall include the plural and vice versa, unless the context otherwise requires.

3. Administration of the Plan

3.1 The Plan shall be administered by the Board with the assistance of the Compensation Committee and the chief executive officer as provided herein.

3.2 The members of the Compensation Committee shall be appointed from time to time by, and serve at the pleasure of, the Board. A majority of the Compensation Committee shall constitute a quorum thereof. Acts approved in writing by all members of the Compensation Committee shall constitute valid acts of the Compensation Committee as if taken at a meeting at which a quorum was present.

3.3 The president and chief executive officer of the Corporation shall periodically make recommendations to the Compensation Committee as to the grant of Options.

3.4 The Compensation Committee shall, on at least an annual basis, make recommendations to the Board as to the grant of Options.

3.5 The Board may wait until such time as the financial statements of the preceding fiscal year are approved by the Board before making any determination regarding the grant of Options.

3.6 In addition to the powers granted to the Board under the Plan and subject to the terms of the Plan, the Board shall have full and complete authority to interpret the Plan, to prescribe such rules and regulations as it deems necessary for the proper administration of the Plan and to make such determinations and to take such actions in connection therewith as it deems necessary or advisable. Any such interpretation, rule, determination or other act of the Board shall be conclusively binding upon all persons.

3.7 The Board may authorize one or more officers of the Corporation to execute and deliver and to receive documents on behalf of the Corporation.

4. Shares Subject to the Plan

4.1 The maximum aggregate number of Shares which may be issued under the Plan shall not exceed 2,300,000 Shares, subject to adjustment as provided in Section 10 hereof and subject to reloading permitted under Subsection 4.4 (which reloading shall increase the aggregate number of Shares that may be issued under the Plan by the number of additional Shares permitted to be reserved under Subsection 4.4).

4.2 The total number of Shares that may be reserved for issuance to any one person pursuant to Options granted under the Plan in any one year shall not exceed 5% of the Shares of the Corporation outstanding on a non-diluted basis on the Grant Date of the Options.

4.3 Anything in this Plan to the contrary notwithstanding:

- (a) the maximum number of Shares that may be reserved for issuance pursuant to Options granted under the Plan to Insiders of the Corporation, together with the number of Shares reserved for issuance to such Insiders under the Corporation's other previously established or proposed share compensation arrangements, shall not exceed 10% of the Shares of the Corporation's issued and outstanding on a non-diluted basis at the Grant Date of the Options; and
- (b) the maximum number of Shares which may be issued to Insiders of the Corporation within any one-year period, pursuant to Options granted under the Plan when taken together with the number of Shares issued to such Insiders under the Corporation's other previously established or proposed share compensation arrangements, shall not exceed 10% of the Shares of the Corporation's issued and outstanding on a non-diluted basis at the end of such period.

Any entitlement to acquire Shares granted pursuant to the Plan or any other options prior to the grantee becoming an Insider shall be excluded for the purposes of the limits set out in paragraph (b) above.

4.4 Options may be granted in respect of authorized and unissued Shares. Shares in respect of which Options have expired, were cancelled or otherwise terminated for any reason without having been exercised shall be available for subsequent Options under the Plan. Options that have been exercised shall be available for subsequent grants under the Plan and the Corporation

shall reserve additional Shares for issuance pursuant to such Options. No fractional Shares may be purchased or issued under the Plan.

5. Grants of Options

5.1 Subject to the provisions of the Plan, the Board shall, in its sole discretion and from time to time, determine those Eligible Persons to whom Options shall be granted and the Grant Date. Options granted to Eligible Persons in accordance with the requirement hereunder shall be at no cost to the Eligible Person. In its sole discretion, the Board shall also determine, in connection with each grant of Options:

- (a) the number of Options to be granted;
- (b) the Option Price applicable to each Option, but the Option Price shall not be less than the Market Value per Share on the Grant Date; and
- (c) the other terms and conditions (which need not be identical and which, without limitation, may include non-competition provisions) of all Options covered by any grant.

6. Eligibility, Vesting and Terms of Options

6.1 Options may be granted to Eligible Persons only.

6.2 Subject to the adjustments provided for in Section 10 hereof, each Option shall entitle the Optionee to purchase one Share.

6.3 The option period (the "Option Period") of each Option commences on the Grant Date and expires at 4:30 p.m. Vancouver time on the tenth anniversary of the Grant Date.

6.4 An Option, which has vested, may be exercised (in each case to the nearest full Share) at any time during the Option Period.

6.5 Options granted prior to January 26, 2006 shall vest as follows:

- (a) 1/6 of the Options granted shall vest after the expiry of a period of 3 months from the Grant Date;
- (b) an additional 1/6 of the Options granted shall vest after the expiry of a period of 6 months from the Grant Date; and
- (c) an additional 1/6 of the Options granted shall vest after the expiry of a period of 9 months from the Grant Date; and
- (d) an additional 1/6 of the Options granted shall vest after the expiry of a period of 12 months from the Grant Date; and

- (e) an additional 1/6 of the Options granted shall vest after the expiry of a period of 15 months from the Grant Date; and
- (f) the remaining 1/6 of the Options granted shall vest after the expiry of a period of 18 months from of the Grant Date.

6.6 Options granted on or after January 26, 2006, shall vest as follows:

- (a) 1/18 of the Options granted shall vest after the expiry of a period of one month from the Grant Date; and
- (b) an additional 1/18 of the Options granted shall vest after the expiry of a period of 2 months from the Grant Date; and
- (c) an additional 1/18 of the Options granted shall vest after the expiry of a period of 3 months from the Grant Date; and
- (d) an additional 1/18 of the Options granted shall vest after the expiry of a period of 4 months from the Grant Date; and
- (e) an additional 1/18 of the Options granted shall vest after the expiry of a period of 5 months from the Grant Date; and
- (f) an additional 1/18 of the Options granted shall vest after the expiry of a period of 6 months from the Grant Date; and
- (g) an additional 1/18 of the Options granted shall vest after the expiry of a period of 7 months from the Grant Date; and
- (h) an additional 1/18 of the Options granted shall vest after the expiry of a period of 8 months from the Grant Date; and
- (i) an additional 1/18 of the Options granted shall vest after the expiry of a period of 9 months from the Grant Date; and
- (j) an additional 1/18 of the Options granted shall vest after the expiry of a period of 10 months from the Grant Date; and
- (k) an additional 1/18 of the Options granted shall vest after the expiry of a period of 11 months from the Grant Date; and
- (l) an additional 1/18 of the Options granted shall vest after the expiry of a period of 12 months from the Grant Date; and
- (m) an additional 1/18 of the Options granted shall vest after the expiry of a period of 13 months from the Grant Date; and

- (n) an additional 1/18 of the Options granted shall vest after the expiry of a period of 14 months from the Grant Date; and
- (o) an additional 1/18 of the Options granted shall vest after the expiry of a period of 15 months from the Grant Date; and
- (p) an additional 1/18 of the Options granted shall vest after the expiry of a period of 16 months from the Grant Date; and
- (q) an additional 1/18 of the Options granted shall vest after the expiry of a period of 17 months from the Grant Date; and
- (r) the remaining 1/18 of the Options granted shall vest after the expiry of a period of 18 months from the Grant Date.

6.7 An Option is personal to the Optionee and may not be sold, transferred, assigned or disposed of in any way except, by will or by the laws governing the devolution of property, to the Optionee's executor, administrator or other personal representative in the event of death of the Optionee or to a Permitted Assign.

7. Option Agreement

7.1 Upon the grant of an Option, the Corporation and the Optionee shall enter into an option agreement, in a form set out in Appendix "A" attached hereto or in such other form as approved by the Board, which agreement shall set out the Optionee's agreement that the Options are subject to the terms and conditions set forth in the Plan as it may be amended or replaced from time to time, the Grant Date, the name of the Optionee, the Optionee's position with the Corporation, the number of Options, the Option Price, vesting terms, the expiry date of the Option Period, the conditions (if any) imposed on the exercise of the Option, and such other terms and conditions as the Board may deem appropriate.

8. Termination of Employment, Engagement or Directorship

8.1 Optionees shall have 180 days from:

- (a) the date on which the Optionee's employment, engagement or directorship with the Corporation or its Related Entity is terminated due to Retirement, Disability or Redundancy;
- (b) the date the company by which the employee is employed and by virtue of which the Optionee is an Eligible Person ceases to be a Related Entity; or
- (c) the date on which the undertaking or part undertaking of the company in which the employee is employed and by virtue of which the Optionee is an Eligible Employee is transferred or sold such that the company is no longer a Related Entity;

to exercise any Option granted hereunder to the extent such Option was exercisable and had vested on the date of such termination; provided, however, that no Option shall be exercisable following the expiration of the Option Period applicable thereto.

8.2 Any Optionee whose employment, engagement or directorship with the Corporation or employment with the Corporation's Related Entity is terminated, other than for cause, at any time in the six months following a change of control of the Corporation (as hereinafter defined) shall have 90 days from the date of such termination to exercise any Option granted hereunder to the extent such Option was exercisable and had vested on the date of such termination; provided, however, that no Option shall be exercisable following the expiration of the Option Period applicable thereto. For the purposes of this Subsection 8.2, "change of control" shall mean the acquisition by a person, or combination of persons acting in concert, of:

- (a) a sufficient number of the voting rights attached to the outstanding voting securities of the Corporation which together with the voting securities held by such person or persons, affect materially the control of the Corporation; or
- (b) more than 50% of the voting rights attached to the outstanding voting securities of the Corporation;

and such persons or combination of persons did not hold a sufficient number of voting rights to affect materially the control of the Corporation immediately prior to the time of such acquisition.

8.3 In the event of the death of an Optionee, either while in the employment or engagement or while a director of the Corporation or its Related Entity or after Retirement, the Optionee's executor, administrator or other personal representative who have acquired the right to exercise such Option from the Optionee by will or the laws of devolution may, within 180 days from the date of the Optionee's death, exercise any Option granted hereunder to the extent such Option was exercisable and had vested on the date of the Optionee's death; provided, however, that no Option shall be exercisable following the expiration of the Option Period applicable thereto.

8.4 In the event an Optionee's employment, engagement or directorship with the Corporation or its Related Entity terminates for any reason other than for cause, death, or in the circumstances described in Subsections 8.1 or 8.2 hereof, the Optionee may exercise any Option granted hereunder to the extent such Option was exercisable and had vested on the date of termination no later than thirty (30) days after such termination. In the event an Optionee's employment, engagement or directorship is terminated for cause, each Option held by the Optionee that has not been effectively exercised prior to such termination shall lapse and become null and void immediately upon such termination.

8.5 The Board may also in its sole discretion increase the periods permitted to exercise all or any of the Options covered by any Grant following a termination of employment, engagement or directorship as provided in Subsections 8.1, 8.2, 8.3 or 8.4 above, if allowable under applicable law; provided, however, that in no event shall any Option be exercisable following the expiration of the Option Period applicable thereto.

8.6 Unless otherwise agreed to in writing by the Board in accordance with Subsection 8.5, references to “termination” or “the date of such termination” or similar references in this Section 8:

- (a) in the case of an employee (including executive officers who are also employees), is deemed to be the last day of active employment by the employee with the Corporation or its Related Entity, as the case may be, regardless of any salary continuance, notice period required under applicable law or the reason for termination of employment (whether with or without cause or with or without notice);
- (b) in the case of a Consultant is deemed to be the “termination” or “the date of such termination” of the person engaged as a consultant to provide services to the Corporation or Related Entity; and
- (c) in the case of a Permitted Assign is deemed to be the “termination” or “the date of such termination” of the director, executive officer, employee or Consultant that the Permitted Assign is related to.

8.7 This Plan and the U.K. Sub-Plan, and any instrument executed pursuant to either of them will not:

- (a) confer on any Optionee any right to continue in employment, engagement or directorship with the Corporation or its Related Entity;
- (b) affect the right of the Corporation, to terminate the employment, engagement or directorship of any Optionee without liability at any time with or without cause;
- (c) impose upon the Board (or, if so delegated, the Compensation Committee) or any other person any duty or liability whatsoever (whether in contract, tort, or otherwise howsoever) in connection with:
 - (i) the lapsing of any Option pursuant to the Plan;
 - (ii) the failure or refusal to exercise any discretion under the Plan (including the U.K. Sub-Plan); or
 - (iii) a holder of an Option ceasing to be an Eligible Person for any reason whatever.

8.8 Any person ceases to have the status or relationship of an employee with the Corporation or its Related Entity as a result of the termination of his employment for any reason and however that termination occurs, whether lawfully or otherwise, shall not be entitled and shall be deemed irrevocably to have waived any entitlement by way of damages for dismissal or by way of compensation for loss of office or employment or otherwise to any sum, damages or other

benefits to compensate that person for the loss of or alteration of any rights, benefits or expectation in relation to any Option, the Plan or any instrument executed pursuant to it.

8.9 The benefit of Subsections 8.7 and 8.8 are given to the Corporation for itself and as trustee and agent of each of its Related Entities. To the extent that this Section benefits any company which is not a party to the Plan, the benefit shall be held on trust and as agent by the Corporation for such company and the Corporation may, at its discretion, assign the benefit of Subsections 8.7 and 8.8 to any such company.

9. Exercise of Options

9.1 Subject to the provisions of the Plan, an Option may be exercised from time to time by delivery to the Corporation at its registered office of a written notice of exercise addressed to the Secretary of the Corporation specifying the number of Shares with respect to which the Option is being exercised, together with the form of payment acceptable to the Corporation for the aggregate of the Option Prices to be paid for the Shares to be purchased. Certificates for such Shares shall be issued and delivered to the Optionee not later than 30 days following the receipt of such notice and payment.

9.2 No less than 100 Options may be exercised at any one time, except where a smaller number of Options is or remains exercisable pursuant to a grant, in which case, such smaller number of Options must be exercised at one time.

10. Adjustment on Alteration of Share Capital

10.1 In the event of a subdivision, consolidation or reclassification of outstanding Shares or other capital adjustment, or the payment of a stock dividend thereon, the number of Shares reserved or authorized to be reserved under the Plan, the number of Shares receivable on the exercise of an Option and the Option Price therefor shall be increased or reduced proportionately and such other adjustments shall be made as may be deemed necessary or equitable by the Board.

10.2 If the Corporation amalgamates, consolidates with or merges with or into another body corporate, whether by way of amalgamation, statutory arrangement or otherwise (the right to do so being hereby expressly reserved), any Share receivable on the exercise of an Option shall be converted into the securities, property or cash which the Optionee would have received upon such amalgamation, consolidation or merger if the Optionee had exercised his or her Option immediately prior to the effective date of such amalgamation, consolidation or merger and the Option Price shall be adjusted as may be deemed necessary or equitable by the Board.

10.3 In the event of a change in the Corporation's currently authorized Shares which is limited to a change in the designation thereof, the shares resulting from any such change shall be deemed to be Shares within the meaning of the Plan.

10.4 In the event of any change affecting the Shares other than the changes referred to in Subsections 10.1, 10.2 and 10.3, such adjustment, if any, shall be made as may be deemed necessary or equitable by the Board to properly reflect such event.

10.5 No adjustment provided in this Section 10 shall require the Corporation to issue a fractional Share and the total adjustment with respect to each Option shall be limited accordingly.

10.6 All determinations of the Board under this Section 10 shall be binding for all purposes of the Plan.

11. Regulatory Approval

11.1 Notwithstanding any of the provisions contained in the Plan or any Option, the Corporation's obligation to grant Options and issue Shares pursuant to the exercise of an Option and to issue and deliver certificates for such securities to an Optionee shall be subject to:

- (a) compliance with all applicable laws, regulations, rules, orders of governmental or regulatory authorities in Canada ("Regulators");
- (b) compliance with the requirements of the Exchange; and
- (c) receipt from the Optionee of such covenants, agreements, representations and undertakings, including as to future dealings in such Shares, as the Corporation determines to be necessary or advisable in order to safeguard against the violation of the securities laws of any jurisdiction.

11.2 The Corporation shall in no event be obligated to take any action in order to cause the issuance and delivery of such certificates to comply with any laws, regulations, rules, orders or requirements.

11.3 Notwithstanding any provisions contained in the Plan or any Option any amendment, modification or termination to the provisions hereof or any Option made pursuant hereto are required by any Regulators or a stock exchange or market as a condition of approval to a distribution to the public of any Shares or to obtain a listing or quotation of any Shares, the Board is authorized to make such amendments and thereupon the terms of the Plan, any Options, including any option agreement made pursuant hereto, shall be deemed to be amended accordingly without requiring the consent or agreement of any Optionee or Shareholder approval.

12. Miscellaneous

12.1 An Optionee entitled to Shares as a result of the exercise of an Option shall not be deemed for any purpose to be, or to have rights as, a shareholder of the Corporation by such exercise, except to the extent Shares are issued therefor and then only from the date such Shares

are issued. No adjustment shall be made for dividends or distributions or other rights which the record date is prior to the date such Shares are issued pursuant to the exercise of Options.

12.2 The Corporation may require an Optionee, as a condition of exercise of an Option, to pay or reimburse any taxes which are required to be withheld in connection with the exercise of such Option and on and after January 26, 2006 shall, by accepting Options, authorize the Corporation to deduct any such taxes from their salary.

13. Effective Date, Amendment and Termination

13.1 The Plan is effective as of December 17, 2001. The Plan has been amended and restated as of January 28, 2003 and January 26, 2006.

13.2 The Board may, subject where required to Regulators and/or Exchange approval, from time to time amend, suspend or terminate the Plan in whole or in part.

13.3 No action by the Board to terminate the Plan pursuant to this Section 13 shall affect any Options granted hereunder which became effective pursuant to the Plan prior to such action.

13.4 Except as set out below, the Board may amend, modify or terminate any outstanding Option, including, but not limited to, substituting another award of the same or of a different type or changing the date of exercise; provided, however that, the Optionee's consent to such action shall be required unless the Board determines that the action, when taken with any related action, would not materially and adversely affect the Optionee or is made pursuant to Section 11 hereof.

The exercise price of any outstanding Option may not be reduced unless Shareholder approval is obtained by way of a resolution passed by a majority of the votes cast by the Shareholders at a meeting of Shareholders. The Option Price of any outstanding Option granted may not be reduced and the original Option Period may not be extended to the benefit of Insiders unless disinterested Shareholder approval is obtained in accordance with TSX requirements.

13.5 Notwithstanding any provision contained in the Plan, effective January 26, 2006, the Plan must be reconfirmed, every three years, by a resolution passed by a majority of the votes cast by Shareholders at a meeting of Shareholders and if the Plan is not reconfirmed by the Shareholders as required by this provision, no further grants of Options may be made under the Plan.

14. Options granted to United Kingdom residents

14.1 Options granted under the Plan to U.K. Eligible Employees shall be subject to the provisions set forth in the U.K. Sub-Plan attached as Appendix "B" hereto if the Options granted to such U.K. Eligible Employees are specified in the option agreement entered into with the U.K. Eligible Employee as having been granted subject to the terms and conditions of the U.K. Sub-Plan.

14.2 To the extent that the provisions of the Plan conflict with the provisions set forth in the U.K. Sub-Plan attached as Appendix "B", the provisions of the U.K. Sub-Plan shall govern the

terms of Options granted to U.K. Eligible Employees where the option agreement entered into with the U.K. Eligible Employee specifies that the Option is granted subject to the terms and conditions of the U.K. Sub-Plan.

APPENDIX A

Incentive Stock Option Plan of Extreme CCTV Inc.

OPTION AGREEMENT

This Option Agreement is entered into between Extreme CCTV Inc. (the “Corporation”) and the Optionee named below pursuant to the Corporation’s Incentive Stock Option Plan (the “Plan”) a copy of which are attached hereto, and confirms the following:

2. Grant Date: _____
3. Optionee: _____
4. Optionee’s Position with the Corporation: _____
5. Number of Options: _____
6. Option Price (\$ per Share): \$ _____
7. Expiry Date of Option Period: _____
8. Each Option that has vested entitles the Optionee to purchase one Share at any time up to 4:30 p.m. Vancouver time on the expiry date of the Option Period. The Options vest as follows:
 - (a) 1/18 of the Options granted shall vest after the expiry of a period of one month from the Grant Date; and
 - (b) an additional 1/18 of the Options granted shall vest after the expiry of a period of 2 months from the Grant Date; and
 - (c) an additional 1/18 of the Options granted shall vest after the expiry of a period of 3 months from the Grant Date; and
 - (d) an additional 1/18 of the Options granted shall vest after the expiry of a period of 4 months from the Grant Date; and
 - (e) an additional 1/18 of the Options granted shall vest after the expiry of a period of 5 months from the Grant Date; and
 - (f) an additional 1/18 of the Options granted shall vest after the expiry of a period of 6 months from the Grant Date; and

- (g) an additional 1/18 of the Options granted shall vest after the expiry of a period of 7 months from the Grant Date; and
 - (h) an additional 1/18 of the Options granted shall vest after the expiry of a period of 8 months from the Grant Date; and
 - (i) an additional 1/18 of the Options granted shall vest after the expiry of a period of 9 months from the Grant Date; and
 - (j) an additional 1/18 of the Options granted shall vest after the expiry of a period of 10 months from the Grant Date; and
 - (k) an additional 1/18 of the Options granted shall vest after the expiry of a period of 11 months from the Grant Date; and
 - (l) an additional 1/18 of the Options granted shall vest after the expiry of a period of 12 months from the Grant Date; and
 - (m) an additional 1/18 of the Options granted shall vest after the expiry of a period of 13 months from the Grant Date; and
 - (n) an additional 1/18 of the Options granted shall vest after the expiry of a period of 14 months from the Grant Date; and
 - (o) an additional 1/18 of the Options granted shall vest after the expiry of a period of 15 months from the Grant Date; and
 - (p) an additional 1/18 of the Options granted shall vest after the expiry of a period of 16 months from the Grant Date; and
 - (q) an additional 1/18 of the Options granted shall vest after the expiry of a period of 17 months from the Grant Date; and
 - (r) the remaining 1/18 of the Options granted shall vest after the expiry of a period of 18 months from the Grant Date.
9. The Option is non-assignable and non-transferrable otherwise than, by will or by the law governing the devolution of property, to the Optionee's executor, administrator or other personal representative in the event of death of the Optionee or to a Permitted Assign as defined in the Plan.
10. By signing this agreement, the Optionee authorizes the Corporation to deduct any taxes owing as a consequence of exercising the Option, from salary or other amounts payable to the Optionee.
11. This Option Agreement is subject to the terms and conditions set out in the Plan, as amended or replaced from time to time. In the case of any inconsistency between this Option Agreement and the Plan, the Plan shall govern.

12. Unless otherwise indicated, all defined terms shall have the respective meanings attributed thereto in the Plan.
13. By signing this agreement, the Optionee acknowledges that he, she, or its authorized representative has read and understands the Plan and agrees that the Options are granted under and governed by the terms and conditions of the Plan, as may be amended or replaced from time to time.

IN WITNESS WHEREOF the parties hereto have executed this Option Agreement as of the ____ day of _____, _____.

SIGNED, SEALED AND DELIVERED)
by _____ **in the**)
presence of:)

)

Signature of Witness)

)

Print Name)

Signature by Optionee

Print Name

EXTREME CCTV INC.

Per: _____
Authorized Signatory

APPENDIX B

Incentive Stock Option Plan Of Extreme CCTV

2001 U.K. Approved Sub-Plan

1. Purpose of the Sub-Plan

- 1.1 This sub-plan (the “U.K. Sub-Plan”) to the Plan is for the benefit U.K. Eligible Employees.
- 1.2 This U.K. Sub-Plan has been established in order to ensure that Options granted under the Plan to U.K. Eligible Employees are capable of being granted under a share option plan approved under Schedule 4 of the Act.
- 1.3 This U.K. Sub-Plan applies to any grant of Options made under the Plan to U.K. Eligible Employees where the Options granted are specified in the option agreement entered into by the U.K. Eligible Employee and the Corporation as having been granted subject to the terms and conditions of this U.K. Sub-Plan.

2. Interpretation and Definitions

- 2.1 The provisions of this U.K. Sub-Plan should be read in conjunction with the Plan and are subject to the terms and conditions of the Plan except to the extent that the terms and conditions of the Plan differ from or conflict with the terms set out in this U.K. Sub-Plan in which case the terms in this U.K. Sub-Plan shall prevail. Capitalized terms not defined in this U.K. Sub-Plan shall have the meaning as set forth in the Plan except to the extent that the context requires otherwise.
- 2.2 For the purposes of this U.K. Sub-Plan, the following terms have the respective meaning set forth below:
 - (a) “Act” means the Income Tax (Earnings and Pensions) Act 2003;
 - (b) “Control” has the meaning given in Section 840 of the Income and Corporation Taxes Act 1988;
 - (c) “Key Feature” has the same meaning as expressed in paragraph 30(4) of Schedule 4 of ITEPA;
 - (d) “Participating Company” means the Corporation and any Related Entity which is a subsidiary of the Corporation (within the meaning of section 736 of the United Kingdom Companies Act 1985) which is under the Control of the Corporation

and which has been nominated by the Corporation to participate for the time being in this U.K. Sub-Plan;

- (e) Retirement means the termination of employment due to retirement of an U.K. Optionee on or after the date specified in such U.K. Optionee's contract of employment which for purposes of Paragraph 35A of Schedule 4 to ITEPA shall not be less than 55 or early retirement with the consent of the Board;
- (f) "U.K. Eligible Employee" means any person who at the Grant Date is resident in the U.K. and is:
 - (i) a *bona fide* employee (but not an employee who is also a director) of a Participating Company; or
 - (ii) a *bona fide* director of a Participating Company required, under the terms of his office or employment with a Participating Company, to devote to his duties not less than 25 hours per week excluding meal breaks; and
 - (iii) in either case not precluded from participation by paragraph 9 of Schedule 4 to the Act (material interests in close companies);

and, for the avoidance of doubt, a U.K. Eligible Employee does not include a Consultant, Permitted Assigns or any other person who does not comply with Subparagraphs (i), (ii) and (iii) above; and

- (g) "U.K. Market Value" shall mean on any day, its market value, determined in accordance with Part VIII of the United Kingdom Taxation of Chargeable Gains Act 1992 and agreed in advance with the United Kingdom Inland Revenue;
- (h) "U.K. Option" means the right to acquire Shares subject to the terms and conditions of the U.K. Sub-Plan; and
- (i) "U.K. Optionee" means a U.K. Eligible Employee to whom a U.K. Option has been granted;

3. Shares Subject to the U.K. Sub-Plan

3.1 The Shares over which U.K. Options may be granted to U.K. Eligible Employees under the Plan must form part of the ordinary share capital (as defined in section 832(1) of the Income and Corporation Taxes Act 1988) of the Corporation and must at all times, including the time of grant and the time of exercise of any U.K. Option, comply with the terms of the Plan and comply with the requirements of Paragraphs 16 to 20 of Schedule 4 to the Act.

3.2 Shares issued to U.K. Eligible Employees on the exercise of U.K. Option will:

- (a) upon payment of the Option Price in accordance with Subsection 5.1 hereof, be fully paid up;

- (b) not be redeemable;
- (c) not be subject to any restrictions other than restrictions which attach to all Shares of the same class. For the purpose of this Section, the term restrictions includes restrictions which are deemed to attach to the Shares under any contract, agreement, arrangement or conditions as referred to in Paragraph 19 of Schedule 4 to the Act.

4. Eligibility

- 4.1 U.K. Options may only be granted under this U.K. Sub-Plan to U.K. Eligible Employees.

5. Grant of Options

- 5.1 The Option Price of U.K. Options granted to U.K. Eligible Employees shall be determined in accordance with Paragraph 5.1(b) of the Plan. However, in no circumstances shall such Option Price of such U.K. Options be less than the U.K. Market Value of a Share on the Grant Date or such earlier date as may be agreed with the United Kingdom Inland Revenue, such earlier date not being more than 30 days before the Grant Date.

- 5.2 No U.K. Option shall be granted to a U.K. Eligible Employee at any time if it would result in:

- (a) the aggregate U.K. Market Value (at the relevant Grant Date) of the Shares which he may acquire upon the exercise of Options granted under the Plan; and
- (b) the aggregate U.K. Market Value (at the relevant Grant Date) of Shares which the U.K. Eligible Employee could acquire by the exercise of an option under any other plan or scheme (not being a savings-related share option scheme) approved under Schedule 9 to the Act and established by the Corporation or any associated company (as defined in paragraph 35(1) of Schedule 4 of the Act) and not exercised

(together, "Relevant U.K. Option Shares") exceeding £30,000 or such other limit contained from time to time in Paragraph 6(1) of Schedule 4 to the Act. In calculating this limit, no account shall be taken of any rights which have been released, exercised or lapsed.

- 5.3 For the purposes of Subsection 5.2 hereof, the U.K. Market Value of the Shares is expressed in a currency other than pounds sterling it shall be converted into pounds sterling at the appropriate noon exchange rate for that currency as quoted by the Bank of Canada on the date the relevant options were granted.
- 5.4 If the Board attempts to grant or inadvertently grants a U.K. Option to a U.K. Eligible Employee which would cause the limit specified in Subsection 5.2 of the U.K. Sub-Plan to be exceeded the Board shall forthwith notify the U.K. Eligible Employee of this fact. The Board may call the option agreement for endorsement, replacement or cancellation

(as appropriate). If a U.K. Option is granted which would cause the limit specified in Subsection 5.2 of this U.K. Sub-Plan to be exceeded, such U.K. Option shall only take effect to the extent that the aggregate market value of all the Relevant U.K. Option Shares (as calculated above) does not cause the above limit to be exceeded.

- 5.5 No U.K. Option shall be granted to a U.K. Eligible Employee within the period of two years preceding his normal retirement date.
- 5.6 A U.K. Eligible Employee may surrender his U.K. Option by notice in writing to the Corporation in whole or part within the period of 30 days immediately following the Grant Date and if a U.K. Option, or any part of a U.K. Option is so surrendered, it shall be deemed for all purposes to the extent surrendered not to have been granted.

6. Option Agreement

- 6.1 Notwithstanding Subsection 7.1 of the Plan, the grant of a U.K. Option to a U.K. Eligible Employee shall be evidenced by the Corporation and U.K. Eligible Employee entering into an option agreement to be executed as a deed, which agreement shall be in the form set out in Schedule A attached hereto and shall set out the U.K. Eligible Employee's agreement that the U.K. Options are subject to the terms and conditions set forth in the U.K. Sub-Plan, the Grant Date, the name of the U.K. Optionee, the U.K. Optionee's position with the Corporation, the number of U.K. Options, the Option Price, the expiring date of the Option Period, the conditions (if any) imposed on the exercise of the U.K. Options and such other terms and conditions as the Board may deem appropriate.

7. Exercise of Options

- 7.1 Notwithstanding Section 6 of the Plan, a U.K. Option shall not be exercised by a U.K. Eligible Employee earlier than the third anniversary of the Grant Date or such other date as may be determined by the Corporation at the Grant Date, except where Section 8 of the Plan applies.
- 7.2 A U.K. Eligible Employee will not be able to exercise his U.K. Option if he is ineligible to participate in the U.K. Sub-Plan by virtue of Paragraph 9 of Schedule 4 to the Act (material interests in close companies).
- 7.3 Notwithstanding any section in the Plan to the contrary, the Corporation may not at any time buyout for a payment in cash or shares a U.K. Option granted to U.K. Eligible Employees.
- 7.4 The Option Price payable upon exercise of a U.K. Option shall be paid in cash or by cheque or other form of cash transfer. Any alternative procedure for the exercise of a U.K. Option shall not take effect until such time as it has been agreed by HM Revenue & Customs (so long as the U.K. Sub-Plan is approved by HM Revenue & Customs).

8. Amendment and Termination of the Plan or Adjustment of Options

- 8.1 Notwithstanding Section 13 of the Plan, no alteration or amendment to a Key Feature of this U.K. Sub-Plan, whether taking the form of an amendment of the Plan or this U.K. Sub-Plan, shall have effect unless and until approved by the Board of HM Revenue and Customs.
- 8.2 Notwithstanding Subsection 13.4 of the Plan, for the purposes of this U.K. Sub-Plan no adjustment pursuant to any of the provisions of the Plan shall be made to any U.K. Option which has been granted to U.K. Eligible Employees unless such adjustment would be permitted under the Plan and under Paragraph 22 of Schedule 4 to the Act and where so permitted no such adjustment shall take effect unless the approval of the Board of HM Revenue and Customs shall have been obtained thereto.

9. Adjustment on Alteration of Share Capital

- 9.1 The price at which Shares may be acquired on the exercise of any U.K. Option and the number of Shares thereunder may be adjusted as described in Section 10 of the Plan only in the event of a variation in the share capital of the Corporation within the meaning of Paragraph 22 of Schedule 4 to the Act and only if the prior approval of HM Revenue and Customs has been obtained for such adjustment.

10. Corporate Change

- 10.1 For the purposes of this U.K. Sub-Plan, a U.K. Eligible Person who has been granted an Option shall not be entitled to receive options over shares of a successor company (or another company) in consideration for the release of his U.K. Option on any consolidation, merger, change of Control or amalgamation with or into another company unless such successor company makes an offer to which the U.K. Eligible Employee agrees within the appropriate period referred to in Subsection 10.2 hereof and such company:
- (a) obtains Control of the Corporation as a result of making a general offer to acquire the whole of the issued ordinary share capital of the Corporation which is unconditional or is made on the condition such that if it is satisfied the successor company will have Control of the Corporation; or
 - (b) obtains Control of the Corporation as a result of making a general offer to acquire all the shares in the Corporation which are of the same class as the shares which may be acquired by the exercise of U.K. Options (ignoring any shares which are already owned by it or a member of the same group of companies); or
 - (c) obtains control of the company in pursuance of Section 425 of the United Kingdom Companies Act 1985 ("the 1985 Act") or similar local legislation provided that the Board of HM Revenue and Customs accepts it is the equivalent of the same; or

- (d) becomes bound or entitled to acquire shares in the Corporation under Sections 428 to 430 of the 1985 Act or similar local legislation provided that the Board of HM Revenue and Customs accepts it is the equivalent of the same.

10.2 Where Subsection 10.1 hereof applies:

- (a) a U.K. Eligible Employee may, at any time within the appropriate periods (within the meaning of paragraph 26(3) of Schedule 4 to the Act) and by the agreement with the successor company, release any U.K. Option which has not lapsed (“the old option”) in consideration for the grant of a new option. The new option must be equivalent to the old option (within the meaning of paragraph 27(3) of Schedule 4 to the Act) but relate to shares in a different company (whether the successor or corporation itself or some other company falling within paragraph 27(2)(b) of Schedule 4 to the Act); or
- (b) for the purposes of the application of the provisions of this U.K. Sub-Plan, where any U.K. Eligible Employee has released an old option, any new option granted shall be regarded as having been granted at the same time as the old option. With effect from the date of release, the new option shall be subject to the same provisions of the Plan and the U.K. Sub-Plan as applied to the old option except that the following terms have the meaning assigned to them in this Subsection 10.2 and not the meanings in the Plan:

“Board” means the Board of Directors of the company in respect of whose shares the new options have been granted;

“Corporation” means the company in respect of whose shares the new options have been granted; and

“Shares” means fully paid ordinary shares in the capital of the company over whose shares the new options have been granted and which satisfy the conditions specified in Part 4 of Schedule 4 to the Act.

11. Other Amendments to the Plan

11.1 For the purposes of construing this U.K. Sub-Plan:

- (a) All references to “Eligible Persons” in the Plan shall be deleted and substituted with the words “U.K. Eligible Employee”.
- (b) All references to “Option” and “Optionee” in the Plan shall be deleted and substituted with the words “U.K. Option” and “U.K. Optionee” respectively.
- (c) The Board may increase the periods permitted to exercise all or any of the Options covered by any grant to U.K. Eligible Employees in the circumstances described in Subsection 8.5 of the Plan only if prior approval of HM Revenue and Customs has been obtained for such an adjustment.

12. General

- 12.1 U.K. Options shall not (except as may be required by taxation law) form part of the emoluments of individuals or count as wages or remuneration for pension or other purposes.
- 12.2 Notwithstanding any of the provisions contained in the U.K. Sub-Plan or any U.K. Option, the Corporation's obligation to grant U.K. Options and issue Shares pursuant to the exercise of a U.K. Option and to issue and deliver certificates for such securities to a U.K. Eligible Employee shall be subject to compliance with all applicable laws, regulations, rules, orders of governmental or regulatory authorities in the U.K.

13. Effective Date

- 13.1 Notwithstanding Subsection 13.1 of the Plan, this U.K. Sub-Plan shall not become effective until it has been adopted by the Board of the Corporation and has received formal approval from the Board of HM Revenue and Customs.

**SCHEDULE A
TO 2001 U.K. APPROVED SUB-PLAN**

OPTION AGREEMENT

This Option Agreement is entered into between Extreme CCTV Inc. (the “Corporation”) and the Optionee named below pursuant to the Corporation’s Incentive Stock Option Plan (the “Plan”) and 2001 UK Approved Incentive Stock Option Plan (the “U.K. Sub-Plan”), copies of which are attached hereto, and confirms the following:

1. Grant Date: _____
2. U.K. Optionee: _____
3. U.K. Optionee’s Position
with the Corporation: _____
4. Number of Options: _____
5. Option Price
(\$ per Share): _____
6. Expiry Date of Option
Period: _____
7. Subject to Subsections 7.1 and 7.2 of the U.K. Sub-Plan, each U.K. Option that has vested entitles the U.K. Optionee to purchase one Share at any time up to 4:30 p.m. Vancouver time on the expiry date of the Option Period. The U.K. Options vest as follows:
 - (a) 1/18 of the U.K. Options granted shall vest after the expiry of a period of one month from the Grant Date; and
 - (b) an additional 1/18 of the U.K. Options granted shall vest after the expiry of a period of 2 months from the Grant Date; and
 - (c) an additional 1/18 of the U.K. Options granted shall vest after the expiry of a period of 3 months from the Grant Date; and
 - (d) an additional 1/18 of the U.K. Options granted shall vest after the expiry of a period of 4 months from the Grant Date; and
 - (e) an additional 1/18 of the U.K. Options granted shall vest after the expiry of a period of 5 months from the Grant Date; and
 - (f) an additional 1/18 of the U.K. Options granted shall vest after the expiry of a period of 6 months from the Grant Date; and

- (g) an additional 1/18 of the U.K. Options granted shall vest after the expiry of a period of 7 months from the Grant Date; and
- (h) an additional 1/18 of the U.K. Options granted shall vest after the expiry of a period of 8 months from the Grant Date; and
- (i) an additional 1/18 of the U.K. Options granted shall vest after the expiry of a period of 9 months from the Grant Date; and
- (j) an additional 1/18 of the U.K. Options granted shall vest after the expiry of a period of 10 months from the Grant Date; and
- (k) an additional 1/18 of the U.K. Options granted shall vest after the expiry of a period of 11 months from the Grant Date; and
- (l) an additional 1/18 of the U.K. Options granted shall vest after the expiry of a period of 12 months from the Grant Date; and
- (m) an additional 1/18 of the U.K. Options granted shall vest after the expiry of a period of 13 months from the Grant Date; and
- (n) an additional 1/18 of the U.K. Options granted shall vest after the expiry of a period of 14 months from the Grant Date; and
- (o) an additional 1/18 of the U.K. Options granted shall vest after the expiry of a period of 15 months from the Grant Date; and
- (p) an additional 1/18 of the U.K. Options granted shall vest after the expiry of a period of 16 months from the Grant Date; and
- (q) an additional 1/18 of the U.K. Options granted shall vest after the expiry of a period of 17 months from the Grant Date; and
- (r) the remaining 1/18 of the U.K. Options granted shall vest after the expiry of a period of 18 months from the Grant Date.

8. The U.K. Option is non-assignable and non-transferrable otherwise than, by will or by the laws governing the devolution of property, to the U.K. Optionee's executor, administrator or personal representative in the event of death of the U.K. Optionee.

9. By signing this agreement, the U.K. Optionee authorizes the Corporation to deduct any taxes owing as a consequence of exercising the U.K. Option, from salary or other amounts payable to the U.K. Optionee.

10. This Option Agreement is subject to the terms and conditions set out in the Plan and U.K. Sub-Plan, as amended or replaced from time to time. In the case of any inconsistency between this (a) Option Agreement and (b) the Plan and the U.K. Sub-Plan, the Plan and the U.K. Sub-

Plan shall govern and any inconsistency between the Plan and the U.K. Sub-Plan, the U.K. Sub-Plan shall govern.

11. Unless otherwise indicated, all defined terms shall have the respective meanings attributed thereto in the Plan and U.K. Sub-Plan as appropriate.

12. By signing this agreement, the Optionee acknowledges that he, she, or its authorized representative has read and understands the Plan and U.K. Sub-Plan and agrees that the U.K. Options are granted under and governed by the terms and conditions of the Plan and U.K. Sub-Plan, as may be amended or replaced from time to time.

IN WITNESS WHEREOF the parties hereto have executed this Option Agreement as a Deed as of the _____ day of _____, _____.

SIGNED AS A DEED, SEALED AND)
DELIVERED by)
_____ **in)**
the presence of:)

Signature of Witness)

Print Name)

Signature by Optionee)

Print Name)

EXTREME CCTV INC.

Per: _____
Authorized Signatory

APPENDIX “D”

Blackline of the Amended and Restated Incentive Stock Option Plan showing the changes made to the Current Plan

**INCENTIVE STOCK OPTION PLAN
OF EXTREME CCTV INC.**

~~AMENDED AND RESTATED AS OF JANUARY~~ Amended and Restated as of January 28,
2003
and as of January 26, 2006

1. Purpose of the Plan

1.1 The purpose of the Plan is to attract and retain superior directors, officers, advisors, employees and other persons or companies engaged to provide ongoing services to the Corporation, to provide an incentive for such persons to put forth maximum effort for the continued success and growth of the Corporation, and in combination with these goals, to encourage their equity participation in the Corporation.

2. Definitions

2.1 For the purposes of the Plan, the following terms have the respective meanings set forth below:

- (a) "Associate" has the same meaning ascribed to that term under Subsection 2.22 of NI 45-106;
- (b) ~~(a)~~ "Affiliate" has the same meaning ascribed to that term as set out in the Securities Act (British Columbia); OSA;
- (c) ~~(b)~~ "Board" means the board of directors of the Corporation;
- (d) ~~(c)~~ "Compensation Committee" means the committee of the Board constituted as provided in Section 3 hereof and if none is so constituted, means the full Board;
- (e) ~~(d)~~ "Consultant" means an individual a person, other than an employee, executive officer or director or officer of the Corporation or its Affiliate or a registrant under the Securities Act (British Columbia); of a Related Entity that:
 - (i) is engaged to provide on a bona fide basis, consulting, technical, management or other services to the Corporation or an Affiliate of the Corporation; a Related Entity other than services provided in relation to a distribution; services provided by registrants and services in connection with investor related activities;

- (ii) provides the services under a written contract ~~between with~~ the Corporation or its Affiliate and the individual Consultant or a Consultant Company or Consultant Partnership of the individual a Related Entity; and
 - (iii) in the reasonable opinion of the Board, spends or will spend a significant amount of time and attention on the affairs and business of the Corporation or an ~~Affiliate of the Corporation~~ Related Entity;
- (e) ~~“Consultant Company” means and includes for an individual Consultant, the company consultant, a corporation of which the individual consultant is an employee or shareholder; and~~ “Consultant Company” means and includes for an individual Consultant, the company consultant, a corporation of which the individual consultant is an employee or shareholder; and
- (f) ~~“Consultant Partnership” means for an individual consultant, the company consultant, a corporation of which the individual consultant is an employee or shareholder; and~~ “Consultant Partnership” means for an individual consultant, the company consultant, a corporation of which the individual consultant is an employee or shareholder; and
- (g) ~~(e) “Corporation” means Extreme CCTV Inc., a corporation incorporated under the Canada Business Corporations Act, or its successors;~~ (f) “Corporation” means Extreme CCTV Inc., a corporation incorporated under the Canada Business Corporations Act, or its successors;
- (h) ~~(h) “Disability” means a physical injury or mental incapacity of a nature which the Board determines prevents or would prevent the Optionee from satisfactorily performing the substantial and material duties of his or her position with the Corporation;~~ (g) “Disability” means a physical injury or mental incapacity of a nature which the Board determines prevents or would prevent the Optionee from satisfactorily performing the substantial and material duties of his or her position with the Corporation;
- (i) ~~(i) “Eligible Person” means, from time to time, any bona fide director, senior executive officer or employee of the Corporation or of an Affiliate of the Corporation, a Related Entity, any Consultant and any Permitted Consultant Assign;~~ (h) “Eligible Person” means, from time to time, any bona fide director, senior executive officer or employee of the Corporation or of an Affiliate of the Corporation, a Related Entity, any Consultant and any Permitted Consultant Assign;
- (j) ~~(j) “Exchange” means any exchange upon which the Shares are listed;~~ (i) “Exchange” means any exchange upon which the Shares are listed;
- (k) ~~(k) “Grant Date” means the date on which an Option is granted to an Eligible Person;~~ (j) “Grant Date” means the date on which an Option is granted to an Eligible Person;
- (l) ~~(l) “Insider” has the same meaning ascribed to that term as set out in the Securities Act (British Columbia) OSA and includes Associates and Affiliates of an Insider, but excludes a director or officer of a subsidiary or an Affiliate of the Corporation unless such director or senior officer~~ (k) “Insider” has the same meaning ascribed to that term as set out in the Securities Act (British Columbia) OSA and includes Associates and Affiliates of an Insider, but excludes a director or officer of a subsidiary or an Affiliate of the Corporation unless such director or senior officer
- (i) in the ordinary course receives or has access to information as material facts or material changes concerning the Corporation before the material facts or material changes are generally disclosed;
 - (ii) is a director or senior officer of a major subsidiary (as defined in National Instrument 55-101); or

- (iii) is an Insider of the Corporation in a capacity other than as a director or senior officer of the subsidiary or Affiliate;
- (l) ~~(m)~~ “Market Value” of a Share means, on any given day:

 - (i) where the Share is not listed on an Exchange, the fair market value of a Share on that day determined by the Board in good faith; and
 - (ii) where the Share is listed on an Exchange, the last daily closing price per Share on the Exchange on the trading day immediately preceding the relevant date and if there was no sale on the Exchange on such date, then the last sale prior thereto;
- (m) “NI 45-106” means National Instrument 45-106 – Prospectus and Registration Exemptions;
- (n) “Option” means the right to purchase a Share under the Plan;
- (o) “Option Period” has the meaning ascribed to that term in Subsection 6.3 hereof;
- (p) “Option Price” means the price per Share at which Shares may be purchased under the Option, as determined pursuant to Paragraph 5.1(b) hereof and as may be adjusted in accordance with Section 10 hereof;
- (q) “Optionee” means an Eligible Person to whom an Option has been granted;
- (r) ~~“Permitted Consultant” means a Consultant, a Consultant Company or Consultant’s Partnership; OSA” means the *Securities Act* (Ontario);~~
- (s) “Permitted Assign” means for a person that is an employee, executive officer, director or Consultant of the Corporation or Related Entity, a holding entity (as defined in NI 45-106) of the person or an RRSP or RRIF of the person;
- (t) ~~(s)~~ “Plan” means the Incentive Stock Option Plan of the Corporation as set forth herein as the same may be amended and/or restated from time to time;
- (u) ~~(t)~~ “Redundancy” means the termination of employment due to the fact that,

 - (i) the person’s employer has ceased or intends to cease:

 - (A) to carry on business for the purposes of which the employee was employed by him, or
 - (B) to carry on that business in the place where the employee was so employed, or
 - (ii) the requirements of that business;

- (A) for employees to carry out work of a particular kind, or
- (B) for employees to carry out work of a particular kind in the place where the employee was employed by the employer,

have ceased or diminished or are expected to cease or diminish;

- (v) “Related Entity” means a person that is controlled by the Corporation or is controlled by the same person that controls the Corporation and “control” for the purpose of this definition has the same meaning as set out in section 2.23 of NI 45-106;
- (w) ~~(tt)~~ “Retirement” means the termination of employment due to retirement of an Optionee on or after such Optionee’s normal retirement date under the applicable retirement plan or policy of his or her employer or due to early retirement with the consent of the Board;
- (x) ~~(v)~~ “Regulators” has the meaning ascribed to that term in Section 11 hereof;
- (y) ~~(w)~~ “Share” means a Common share without nominal or par value in the capital of the Corporation;
- (z) “Shareholder” means a registered holder of Shares;
- (aa) ~~(x)~~ “U.K. Eligible Employee” has the meaning ascribed to that term as defined in the U.K. Sub-Plan; and
- (bb) ~~(y)~~ “U.K. Sub-Plan” means the Corporation’s 2001 U.K. Approved Sub-Plan attached as Appendix B hereto.

2.2 Unless otherwise indicated, all dollar amounts referred to in this Option Plan are in Canadian funds.

2.3 As used in this Plan, words importing the masculine gender shall include the feminine and neuter genders and words importing the singular shall include the plural and vice versa, unless the context otherwise requires.

3. Administration of the Plan

3.1 The Plan shall be administered by the Board with the assistance of the Compensation Committee and the chief executive officer as provided herein.

3.2 The members of the Compensation Committee shall be appointed from time to time by, and serve at the pleasure of, the Board. A majority of the Compensation Committee shall constitute a quorum thereof. Acts approved in writing by all members of the Compensation

Committee shall constitute valid acts of the Compensation Committee as if taken at a meeting at which a quorum was present.

3.3 The president and chief executive officer of the Corporation shall periodically make recommendations to the Compensation Committee as to the grant of Options.

3.4 The Compensation Committee shall, on at least an annual basis, make recommendations to the Board as to the grant of Options.

3.5 The Board may wait until such time as the financial statements of the preceding fiscal year are approved by the Board before making any determination regarding the grant of Options.

3.6 In addition to the powers granted to the Board under the Plan and subject to the terms of the Plan, the Board shall have full and complete authority to interpret the Plan, to prescribe such rules and regulations as it deems necessary for the proper administration of the Plan and to make such determinations and to take such actions in connection therewith as it deems necessary or advisable. Any such interpretation, rule, determination or other act of the Board shall be conclusively binding upon all persons.

3.7 The Board may authorize one or more officers of the Corporation to execute and deliver and to receive documents on behalf of the Corporation.

4. Shares Subject to the Plan

4.1 The maximum aggregate number of Shares which may be issued under the Plan shall not exceed 2,300,000 Shares, subject to adjustment as provided in Section 10 hereof— and subject to reloading permitted under Subsection 4.4 (which reloading shall increase the aggregate number of Shares that may be issued under the Plan by the number of additional Shares permitted to be reserved under Subsection 4.4).

4.2 The total number of Shares that may be reserved for issuance to any one person pursuant to Options granted under the Plan in any one year shall not exceed 5% of the Shares of the Corporation outstanding on a non-diluted basis on the Grant Date of the Options.

4.3 Anything in this Plan to the contrary notwithstanding:

- (a) the maximum number of Shares that may be reserved for issuance pursuant to Options granted under the Plan to Insiders of the Corporation, together with the number of Shares reserved for issuance to such Insiders under the Corporation's other previously established or proposed share compensation arrangements, shall not exceed ±510% of the Shares of the Corporation's issued and outstanding on a non-diluted basis at the Grant Date of the Options; and
- (b) the maximum number of Shares which may be issued to Insiders of the Corporation within any one-year period, pursuant to Options granted under the Plan within any one-year period, when taken together with the number of Shares

issued to such Insiders under the Corporation's other previously established or proposed share compensation arrangements, shall not exceed 10% of the Shares of the Corporation's issued and outstanding on a non-diluted basis at the end of such period and, in the case of any one Insider and his associates, shall not exceed 5% of such issued and outstanding Shares.

Any entitlement to acquire Shares granted pursuant to the Plan or any other options prior to the grantee becoming an Insider shall be excluded for the purposes of the limits set out in paragraph (b) above.

4.4 Options may be granted in respect of authorized and unissued Shares. Shares in respect of which Options have expired, were cancelled or otherwise terminated for any reason without having been exercised shall be available for subsequent Options under the Plan. Options that have been exercised shall be available for subsequent grants under the Plan and the Corporation shall reserve additional Shares for issuance pursuant to such Options. No fractional Shares may be purchased or issued under the Plan.

5. Grants of Options

5.1 Subject to the provisions of the Plan, the Board shall, in its sole discretion and from time to time, determine those Eligible Persons to whom Options shall be granted and the Grant Date. Options granted to Eligible Persons in accordance with the requirement hereunder shall be at no cost to the Eligible Person. In its sole discretion, the Board shall also determine, in connection with each grant of Options:

- (a) the number of Options to be granted;
- (b) the Option Price applicable to each Option, but the Option Price shall not be less than the Market Value per Share on the Grant Date; and
- (c) the other terms and conditions (which need not be identical and which, without limitation, may include non-competition provisions) of all Options covered by any grant.

6. Eligibility, Vesting and Terms of Options

6.1 Options may be granted to Eligible Persons only.

6.2 Subject to the adjustments provided for in Section 10 hereof, each Option shall entitle the Optionee to purchase one Share.

6.3 The option period (the "Option Period") of each Option commences on the Grant Date and expires at 4:30 p.m. Vancouver time on the tenth anniversary of the Grant Date.

6.4 An Option, which has vested, may be exercised (in each case to the nearest full Share) at any time during the Option Period.

6.5 Options granted prior to January 26, 2006 shall vest as follows:

- (a) 1/6 of the Options granted shall vest after the expiry of a period of 3 months from the Grant Date;
- (b) an additional 1/6 of the Options granted shall vest after the expiry of a period of 6 months from the Grant Date; and
- (c) an additional 1/6 of the Options granted shall vest after the expiry of a period of 9 months from the Grant Date; and
- (d) an additional 1/6 of the Options granted shall vest after the expiry of a period of 12 months from the Grant Date; and
- (e) an additional 1/6 of the Options granted shall vest after the expiry of a period of 15 months from the Grant Date; and
- (f) the remaining 1/6 of the Options granted shall vest after the expiry of a period of 18 months from of the Grant Date.

6.6 Options granted on or after January 26, 2006, shall vest as follows:

- (a) 1/18 of the Options granted shall vest after the expiry of a period of one month from the Grant Date; and
- (b) an additional 1/18 of the Options granted shall vest after the expiry of a period of 2 months from the Grant Date; and
- (c) an additional 1/18 of the Options granted shall vest after the expiry of a period of 3 months from the Grant Date; and
- (d) an additional 1/18 of the Options granted shall vest after the expiry of a period of 4 months from the Grant Date; and
- (e) an additional 1/18 of the Options granted shall vest after the expiry of a period of 5 months from the Grant Date; and
- (f) an additional 1/18 of the Options granted shall vest after the expiry of a period of 6 months from the Grant Date; and
- (g) an additional 1/18 of the Options granted shall vest after the expiry of a period of 7 months from the Grant Date; and
- (h) an additional 1/18 of the Options granted shall vest after the expiry of a period of 8 months from the Grant Date; and

- (i) an additional 1/18 of the Options granted shall vest after the expiry of a period of 9 months from the Grant Date; and
- (j) an additional 1/18 of the Options granted shall vest after the expiry of a period of 10 months from the Grant Date; and
- (k) an additional 1/18 of the Options granted shall vest after the expiry of a period of 11 months from the Grant Date; and
- (l) an additional 1/18 of the Options granted shall vest after the expiry of a period of 12 months from the Grant Date; and
- (m) an additional 1/18 of the Options granted shall vest after the expiry of a period of 13 months from the Grant Date; and
- (n) an additional 1/18 of the Options granted shall vest after the expiry of a period of 14 months from the Grant Date; and
- (o) an additional 1/18 of the Options granted shall vest after the expiry of a period of 15 months from the Grant Date; and
- (p) an additional 1/18 of the Options granted shall vest after the expiry of a period of 16 months from the Grant Date; and
- (q) an additional 1/18 of the Options granted shall vest after the expiry of a period of 17 months from the Grant Date; and
- (r) the remaining 1/18 of the Options granted shall vest after the expiry of a period of 18 months from the Grant Date.

6.7 ~~6.6~~ An Option is personal to the Optionee and may not be sold, transferred, assigned or disposed of in any way except, by will or by the laws governing the devolution of property, to the Optionee's executor, administrator or other personal representative in the event of death of the Optionee; or to a Permitted Assign.

7. Option Agreement

7.1 Upon the grant of an Option, the Corporation and the Optionee shall enter into an option agreement, in a form set out in Appendix "A" attached hereto or in such other form as approved by the Board, which agreement shall set out the Optionee's agreement that the Options are subject to the terms and conditions set forth in the Plan as it may be amended or replaced from time to time, the Grant Date, the name of the Optionee, the Optionee's position with the Corporation, the number of Options, the Option Price, vesting terms, the expiry date of the Option Period, the conditions (if any) imposed on the exercise of the Option, and such other terms and conditions as the Board may deem appropriate.

8. Termination of Employment, Engagement or Directorship

8.1 Optionees shall have 180 days from:

- (a) the date on which the Optionee's employment, engagement or directorship with the Corporation or its ~~Affiliate~~Related Entity is terminated due to Retirement, Disability or Redundancy;
- (b) the date the company by which the employee is employed and by virtue of which the Optionee is an Eligible Person ceases to be ~~an Affiliate of the Corporation; or a~~Related Entity; or
- (c) the date on which the undertaking or part undertaking of the company in which the employee is employed and by virtue of which the Optionee is an Eligible Employee is transferred or sold such that the company is no longer ~~an Affiliate of the Corporation; a~~Related Entity;

to exercise any Option granted hereunder to the extent such Option was exercisable and had vested on the date of such termination; provided, however, that no Option shall be exercisable following the expiration of the Option Period applicable thereto.

8.2 Any Optionee whose employment, engagement or directorship with the Corporation or employment with the Corporation's ~~Affiliate~~Related Entity is terminated, other than for cause, at any time in the six months following a change of control of the Corporation (as hereinafter defined) shall have 90 days from the date of such termination to exercise any Option granted hereunder to the extent such Option was exercisable and had vested on the date of such termination; provided, however, that no Option shall be exercisable following the expiration of the Option Period applicable thereto. For the purposes of this Subsection 8.2, "change of control" shall mean the acquisition by a person, or combination of persons acting in concert, of:

- (a) a sufficient number of the voting rights attached to the outstanding voting securities of the Corporation which together with the voting securities held by such person or persons, affect materially the control of the Corporation; or
- (b) more than 50% of the voting rights attached to the outstanding voting securities of the Corporation;

and such persons or combination of persons did not hold a sufficient number of voting rights to affect materially the control of the Corporation immediately prior to the time of such acquisition.

8.3 In the event of the death of an Optionee, either while in the employment or engagement or while a director of the Corporation or its ~~Affiliate~~Related Entity or after Retirement, the Optionee's executor, administrator or other personal representative who have acquired the right to exercise such Option from the Optionee by will or the laws of devolution may, within 180 days from the date of the Optionee's death, exercise any Option granted hereunder to the extent such Option was exercisable and had vested on the date of the Optionee's death; provided,

however, that no Option shall be exercisable following the expiration of the Option Period applicable thereto.

8.4 In the event an Optionee's employment, engagement or directorship with the Corporation or its ~~Affiliate~~Related Entity terminates for any reason other than for cause, death, or in the circumstances described in Subsections 8.1 or 8.2 hereof, the Optionee may exercise any Option granted hereunder to the extent such Option was exercisable and had vested on the date of termination no later than thirty (30) days after such termination. In the event an Optionee's employment, engagement or directorship is terminated for cause, each Option held by the Optionee that has not been effectively exercised prior to such termination shall lapse and become null and void immediately upon such termination.

8.5 The Board may also in its sole discretion increase the periods permitted to exercise all or any of the Options covered by any Grant following a termination of employment, engagement or directorship as provided in Subsections 8.1, 8.2, 8.3 or 8.4 above, if allowable under applicable law; provided, however, that in no event shall any Option be exercisable following the expiration of the Option Period applicable thereto.

8.6 ~~Unless otherwise agreed to in writing by the Board in accordance with Subsection 8.5, the date of termination of employment, engagement or directorship shall be deemed to be the date of such termination.~~

8:

- (a) ~~8.6 Unless otherwise agreed to in writing by the Board in accordance with Subsection 8.5, the date of termination of employment, engagement or directorship shall be deemed to be the date of such termination.~~ 8.6 ~~in the case of an employee (including executive officers who are also employees), is deemed to be the last day of active employment by the employee with the Corporation or its Affiliate~~Related Entity, as the case may be, regardless of any salary continuance, notice period required under applicable law or the reason for termination of employment (whether with or without cause or with or without notice);₂
- (b) in the case of a Consultant is deemed to be the "termination" or "the date of such termination" of the person engaged as a consultant to provide services to the Corporation or Related Entity; and
- (c) in the case of a Permitted Assign is deemed to be the "termination" or "the date of such termination" of the director, executive officer, employee or Consultant that the Permitted Assign is related to.

8.7 This Plan and the U.K. Sub-Plan, and any instrument executed pursuant to either of them will not:

- (a) confer on any Optionee any right to continue in employment, engagement or directorship with the Corporation or its ~~Affiliates~~Related Entity;

- (b) affect the right of the Corporation, to terminate the employment, engagement or directorship of any Optionee without liability at any time with or without cause;
- (c) impose upon the Board (or, if so delegated, the Compensation Committee) or any other person any duty or liability whatsoever (whether in contract, tort, or otherwise howsoever) in connection with:
 - (i) the lapsing of any Option pursuant to the Plan;
 - (ii) the failure or refusal to exercise any discretion under the Plan (including the U.K. Sub-Plan); or
 - (iii) a holder of an Option ceasing to be an Eligible Person for any reason whatever.

8.8 Any person ceases to have the status or relationship of an employee with the Corporation or its ~~Affiliate~~Related Entity as a result of the termination of his employment for any reason and however that termination occurs, whether lawfully or otherwise, shall not be entitled and shall be deemed irrevocably to have waived any entitlement by way of damages for dismissal or by way of compensation for loss of office or employment or otherwise to any sum, damages or other benefits to compensate that person for the loss of or alteration of any rights, benefits or expectation in relation to any Option, the Plan or any instrument executed pursuant to it.

8.9 The benefit of Subsections 8.7 and 8.8 are given to the Corporation for itself and as trustee and agent of each of its ~~Affiliates~~Related Entities. To the extent that this Section benefits any company which is not a party to the Plan, the benefit shall be held on trust and as agent by the Corporation for such company and the Corporation may, at its discretion, assign the benefit of Subsections 8.7 and 8.8 to any such company.

9. Exercise of Options

9.1 Subject to the provisions of the Plan, an Option may be exercised from time to time by delivery to the Corporation at its registered office of a written notice of exercise addressed to the Secretary of the Corporation specifying the number of Shares with respect to which the Option is being exercised, together with ~~a certified cheque or bank draft~~the form of payment acceptable to the Corporation for the aggregate of the Option Prices to be paid for the Shares to be purchased. Certificates for such Shares shall be issued and delivered to the Optionee not later than 30 days following the receipt of such notice and payment.

9.2 No less than 100 Options may be exercised at any one time, except where a smaller number of Options is or remains exercisable pursuant to a grant, in which case, such smaller number of Options must be exercised at one time.

10. Adjustment on Alteration of Share Capital

10.1 In the event of a subdivision, consolidation or reclassification of outstanding Shares or other capital adjustment, or the payment of a stock dividend thereon, the number of Shares reserved or authorized to be reserved under the Plan, the number of Shares receivable on the exercise of an Option and the Option Price therefor shall be increased or reduced proportionately and such other adjustments shall be made as may be deemed necessary or equitable by the Board.

10.2 If the Corporation amalgamates, consolidates with or merges with or into another body corporate, whether by way of amalgamation, statutory arrangement or otherwise (the right to do so being hereby expressly reserved), any Share receivable on the exercise of an Option shall be converted into the securities, property or cash which the Optionee would have received upon such amalgamation, consolidation or merger if the Optionee had exercised his or her Option immediately prior to the effective date of such amalgamation, consolidation or merger and the Option Price shall be adjusted ~~appropriately by the Board and such adjustment~~ as may be deemed necessary or equitable by the Board.

10.3 In the event of a change in the Corporation's currently authorized Shares which is limited to a change in the designation thereof, the shares resulting from any such change shall be deemed to be Shares within the meaning of the Plan.

10.4 In the event of any change affecting the Shares other than the changes referred to in Subsections 10.1, 10.2 and 10.3, such adjustment, if any, shall be made as may be deemed necessary or equitable by the Board to properly reflect such event.

10.5 No adjustment provided in this Section 10 shall require the Corporation to issue a fractional Share and the total adjustment with respect to each Option shall be limited accordingly.

10.6 All determinations of the Board under this Section 10

11. Regulatory Approval

11.1 Notwithstanding any of the provisions contained in the Plan or any Option, the Corporation's obligation to grant Options and issue Shares pursuant to the exercise of an Option and to issue and deliver certificates for such securities to an Optionee shall be subject to:

- (a) compliance with all applicable laws, regulations, rules, orders of governmental or regulatory authorities in Canada ("Regulators");
- (b) compliance with the requirements of the Exchange; and
- (c) receipt from the Optionee of such covenants, agreements, representations and undertakings, including as to future dealings in such Shares, as the Corporation

determines to be necessary or advisable in order to safeguard against the violation of the securities laws of any jurisdiction.

11.2 The Corporation shall in no event be obligated to take any action in order to cause the issuance and delivery of such certificates to comply with any laws, regulations, rules, orders or requirements.

11.3 ~~Notwithstanding any provisions contained in the Plan or any Option~~ any amendment, modification or termination to the provisions hereof or any Option made pursuant hereto are required by any Regulators or a stock exchange or market as a condition of approval to a distribution to the public of any Shares or to obtain a listing or quotation of any Shares, the Board is authorized to make such amendments and thereupon the terms of the Plan, any Options, including any option agreement made pursuant hereto, shall be deemed to be amended accordingly without requiring the consent or agreement of any Optionee or Shareholder approval.

12. Miscellaneous

12.1 An Optionee entitled to Shares as a result of the exercise of an Option shall not be deemed for any purpose to be, or to have rights as, a shareholder of the Corporation by such exercise, except to the extent Shares are issued therefor and then only from the date such Shares are issued. No adjustment shall be made for dividends or distributions or other rights which the record date is prior to the date such Shares are issued pursuant to the exercise of Options.

12.2 The Corporation may require an Optionee, as a condition of exercise of an Option, to pay or reimburse any taxes which are required to be withheld in connection with the exercise of such Option; and on and after January 26, 2006 shall, by accepting Options, authorize the Corporation to deduct any such taxes from their salary.

13. Effective Date, Amendment and Termination

13.1 The Plan is effective as of December 17, 2001. The Plan has been amended and restated as of January 28, 2003 and January 26, 2006.

13.2 The Board may, subject where required to Regulators and/or Exchange approval, from time to time amend, suspend or terminate the Plan in whole or in part.

13.3 No action by the Board to terminate the Plan pursuant to this Section 13 shall affect any Options granted hereunder which became effective pursuant to the Plan prior to such action.

13.4 ~~The~~Except as set out below, the Board may amend, modify or terminate any outstanding Option, including, but not limited to, substituting another award of the same or of a different type or changing the date of exercise; provided, however that, the Optionee's consent to such action shall be required unless the Board determines that the action, when taken with any related action, would not materially and adversely affect the Optionee or is made pursuant to Section 11 hereof.

~~to an Insider~~

~~disinterested shareholder and the applicable regulatory requirements, including Exchange requirements.~~

~~The exercise price of any outstanding Option Shareholder approval is obtained by way of a resolution passed by a majority of the votes cast by the Shareholders at a meeting of Shareholders. The Option Price of any outstanding Option granted may not be reduced and the original Option Period may not be extended to the benefit of Insiders unless disinterested Shareholder approval is obtained in accordance with the TSX requirements.~~

13.5 Notwithstanding any provision contained in the Plan, effective January 26, 2006, the Plan must be reconfirmed, every three years, by a resolution passed by a majority of the votes cast by Shareholders at a meeting of Shareholders and if the Plan is not reconfirmed by the Shareholders as required by this provision, no further grants of Options may be made under the Plan.

14. Options granted to United Kingdom residents

14.1 Options granted under the Plan to U.K. Eligible Employees shall be subject to the provisions set forth in the U.K. Sub-Plan attached as Appendix “B” hereto if the Options granted to such U.K. Eligible Employees are specified in the option agreement entered into with the U.K. Eligible Employee as having been granted subject to the terms and conditions of the U.K. Sub-Plan.

14.2 To the extent that the provisions of the Plan conflict with the provisions set forth in the U.K. Sub-Plan attached as Appendix “B”, the provisions of the U.K. Sub-Plan shall govern the terms of Options granted to U.K. Eligible Employees where the option agreement entered into with the U.K. Eligible Employee specifies that the Option is granted subject to the terms and conditions of the U.K. Sub-Plan.

APPENDIX A

Incentive Stock Option Plan of Extreme CCTV Inc.

OPTION AGREEMENT

This Option Agreement is entered into between Extreme CCTV Inc. (the "Corporation") and the Optionee named below pursuant to the Corporation's Incentive Stock Option Plan (the "Plan") a copy of which are attached hereto, and confirms the following:

2 _____ 1 Grant Date:

;

3 _____ 2 Optionee:

;

4 _____ 3 Optionee's Position with
; the Corporation:

5 _____ 4 Number of Options:

;

6 _____ 5 Option Price
; (\$ per Share):

\$

7 _____ 6 Expiry Date of Option
; Period:

8 _____ 7- Each Option that has vested entitles the Optionee to purchase one Share at any time up to 4:30 p.m. Vancouver time on the expiry date of the Option Period. The Options vest as follows:

- (a) 1/618 of the Options granted shall vest after the expiry of a period of one month
- (b) an additional 1/18 of the Options granted shall vest after the expiry of a period of 2 months from the Grant Date; and
- (c) an additional 1/18 of the Options granted shall vest after the expiry of a period of 3 months from the Grant Date; and

- (b) ~~an additional 1/6~~ months
- (d) an additional 1/18 of the Options granted shall vest after the expiry of a period of 4 months from the Grant Date; and
- (e) an additional 1/18 of the Options granted shall vest after the expiry of a period of 5 months from the Grant Date; and
- (f) an additional 1/18 of the Options granted shall vest after the expiry of a period of 6 months from the Grant Date; and
- (g) an additional 1/18 of the Options granted shall vest after the expiry of a period of 7 months from the Grant Date; and
- (h) an additional 1/18 of the Options granted shall vest after the expiry of a period of 8 months from the Grant Date; and
- (i) ~~(e)~~ an additional 1/18 of the Options granted shall vest after the expiry of a period of 9 months from the Grant Date; and
- (j) ~~(d)~~ an additional 1/18 of the Options granted shall vest after the expiry of a period of 10 months from the Grant Date; and
- (k) an additional 1/18 of the Options granted shall vest after the expiry of a period of 11 months from the Grant Date; and
- (l) an additional 1/18 of the Options granted shall vest after the expiry of a period of 12 months from the Grant Date; and
- (m) ~~(e)~~ an additional 1/18 of the Options granted shall vest after the expiry of a period of 13 months from the Grant Date; and
- (n) an additional 1/18 of the Options granted shall vest after the expiry of a period of 14 months from the Grant Date; and
- (o) an additional 1/18 of the Options granted shall vest after the expiry of a period of 15 months from the Grant Date; and
- (p) an additional 1/18 of the Options granted shall vest after the expiry of a period of 16 months from the Grant Date; and
- (q) an additional 1/18 of the Options granted shall vest after the expiry of a period of 17 months from the Grant Date; and
- (r) ~~(d)~~ the remaining 1/18 of the Options granted shall vest after the expiry of a period of 18 months from the Grant Date.

9. ~~8.~~ The Option is non-assignable and non-transferrable otherwise than, by will or by the law governing the devolution of property, to the Optionee's executor, administrator or other personal representative in the event of death of the Optionee or to a Permitted Assign as defined in the Plan.
10. ~~9.~~ By signing this agreement, the Optionee authorizes the Corporation to deduct any taxes owing as a consequence of exercising the Option, from salary or other amounts payable to the Optionee.
11. ~~10.~~ This Option Agreement is subject to the terms and conditions set out in the Plan, as amended or replaced from time to time. In the case of any inconsistency between this Option Agreement and the Plan, the Plan shall govern.
12. ~~11.~~ Unless otherwise indicated, all defined terms shall have the respective meanings attributed thereto in the Plan.
13. ~~12.~~ By signing this agreement, the Optionee acknowledges that he, she, or its authorized representative has read and understands the Plan and agrees that the Options are granted under and governed by the terms and conditions of the Plan, as may be amended or replaced from time to time.

IN WITNESS WHEREOF the parties hereto have executed this Option Agreement as of the ____ day of _____, ____.

SIGNED, SEALED AND DELIVERED)
by _____ **in the**)
presence of:)

Signature of Witness

Print Name

Signature by Optionee

Print Name

EXTREME CCTV INC.

Per: _____
 Authorized Signatory

APPENDIX B

Incentive Stock Option Plan Of Extreme CCTV

2001 U.K. Approved Sub-Plan

1. Purpose of the Sub-Plan

- 1.1 This sub-plan (the “U.K. Sub-Plan”) to the Plan is for the benefit U.K. Eligible Employees.
- 1.2 This U.K. Sub-Plan has been established in order to ensure that Options granted under the Plan to U.K. Eligible Employees are capable of being granted under a share option plan approved under Schedule 94 of the Act.
- 1.3 This U.K. Sub-Plan applies to any grant of Options made under the Plan to U.K. Eligible Employees where the Options granted are specified in the option agreement entered into by the U.K. Eligible Employee and the Corporation as having been granted subject to the terms and conditions of this U.K. Sub-Plan.

2. Interpretation and Definitions

- 2.1 The provisions of this U.K. Sub-Plan should be read in conjunction with the Plan and are subject to the terms and conditions of the Plan except to the extent that the terms and conditions of the Plan differ from or conflict with the terms set out in this U.K. Sub-Plan in which case the terms in this U.K. Sub-Plan shall prevail. Capitalized terms not defined in this U.K. Sub-Plan shall have the meaning as set forth in the Plan except to the extent that the context requires otherwise.
- 2.2 For the purposes of this U.K. Sub-Plan, the following terms have the respective meaning set forth below:
 - (a) “Act” means the ~~United Kingdom Income and Corporation Taxes Act~~ Income Tax (Earnings and Pensions) Act 2003;
 - (b) “Control” has the meaning given by in Section 840 of the Income and Corporation Taxes Act 1988;
 - (c) “Key Feature” has the same meaning as expressed in paragraph 30(4) of Schedule 4 of ITEPA;
 - (d) ~~(c)~~ “Participating Company” means the Corporation and any ~~Affiliate~~ Related Entity which is a subsidiary of the Corporation (within the meaning of section 736 of the United Kingdom Companies Act 1985) which is under the Control of the

Corporation and which has been nominated by the Corporation to participate for the time being in this U.K. Sub-Plan;

- (e) Retirement means the termination of employment due to retirement of an U.K. Optionee on or after the date specified in such U.K. Optionee's contract of employment which for purposes of Paragraph 35A of Schedule 4 to ITEPA shall not be less than 55 or early retirement with the consent of the Board;
- (f) ~~(d)~~ "U.K. Eligible Employee" means any person who at the Grant Date is resident in the U.K. and is:
 - (i) a *bona fide* employee (but not an employee who is also a director) of a Participating Company; or
 - (ii) a *bona fide* director of a Participating Company required, under the terms of his office or employment with a Participating Company, to devote to his duties not less than 25 hours per week excluding meal breaks; and
 - (iii) in either case not precluded from participation by paragraph ~~89~~ of Schedule ~~94~~ to the Act (material interests in close companies);

and, for the avoidance of doubt, a U.K. Eligible Employee does not include a Consultant, ~~Consultant Company or Consultant Partnership~~ Permitted Assigns or any other person who does not comply with Subparagraphs (i), (ii) and (iii) above; and

- (g) ~~(e)~~ "U.K. Market Value" shall mean on any day, its market value, determined in accordance with Part VIII of the United Kingdom Taxation of Chargeable Gains Act 1992 and agreed in advance with the United Kingdom Inland Revenue;
- (h) ~~(f)~~ "U.K. Option" means the right to acquire Shares subject to the terms and conditions of the U.K. Sub-Plan; and
- (i) ~~(g)~~ "U.K. Optionee" means a U.K. Eligible Employee to whom a U.K. Option has been granted;

3. Shares Subject to the U.K. Sub-Plan

3.1 The Shares over which U.K. Options may be granted to U.K. Eligible Employees under the Plan must form part of the ordinary share capital (as defined in section 832(1) of the Act ~~Income and Corporation Taxes Act 1988~~) of the Corporation and must at all times, including the time of grant and the time of exercise of any U.K. Option, comply with the terms of the Plan and comply with the requirements of ~~paragraphs 10~~ Paragraphs 16 to 1420 of Schedule ~~94~~ to the Act.

3.2 Shares issued to U.K. Eligible Employees on the exercise of U.K. Option will:

- (a) upon payment of the Option Price in accordance with Subsection 5.1 hereof, be fully paid up;
- (b) not be redeemable;
- (c) not be subject to any restrictions other than restrictions which attach to all Shares of the same class. For the purpose of this Section, the term restrictions includes restrictions which are deemed to attach to the Shares under any contract, agreement, arrangement or conditions as referred to in Paragraph ~~43~~19 of Schedule ~~94~~4 to the Act.

4. Eligibility

- 4.1 U.K. Options may only be granted under this U.K. Sub-Plan to U.K. Eligible Employees.

5. Grant of Options

- 5.1 The Option Price of U.K. Options granted to U.K. Eligible Employees shall be determined in accordance with Paragraph 5.1(b) of the Plan. However, in no circumstances shall such Option Price of such U.K. Options be less than the U.K. Market Value of a Share on the Grant Date or such earlier date as may be agreed with the United Kingdom Inland Revenue, such earlier date not being more than 30 days before the Grant Date.

- 5.2 No U.K. Option shall be granted to a U.K. Eligible Employee at any time if it would result in:

- (a) the aggregate U.K. Market Value (at the relevant Grant Date) of the Shares which he may acquire upon the exercise of Options granted under the Plan; and
- (b) the aggregate U.K. Market Value (at the relevant Grant Date) of Shares which the U.K. Eligible Employee could acquire by the exercise of an option under any other plan or scheme (not being a savings-related share option scheme) approved under Schedule 9 to the Act and established by the Corporation or any associated company (as defined in ~~Section 416~~paragraph 35(1) of Schedule 4 of the Act) and not exercised

(together, "Relevant U.K. Option Shares") exceeding £30,000 or such other limit contained from time to time in Paragraph ~~286~~(1) of Schedule 94 to the Act. In calculating this limit, no account shall be taken of any rights which have been released, exercised or lapsed.

- 5.3 For the purposes of ~~Section~~Subsection 5.2 hereof, the U.K. Market Value of the Shares is expressed in a currency other than pounds sterling it shall be converted into pounds sterling at the appropriate noon exchange rate for that currency as quoted by the Bank of Canada on the date the relevant options were granted.

- 5.4 ~~If the Board attempts to grant a U.K. Option to a U.K. Eligible Employee which is inconsistent with Section 5.2 hereof, the U.K. Option will be limited and take effect on a basis consistent with the provisions of Subsection 5.2 hereof or inadvertently grants a U.K. Option to a U.K. Eligible Employee which would cause the limit specified in Subsection 5.2 of the U.K. Sub-Plan to be exceeded the Board shall forthwith notify the U.K. Eligible Employee of this fact. The Board may call the option agreement for endorsement, replacement or cancellation (as appropriate). If a U.K. Option is granted which would cause the limit specified in Subsection 5.2 of this U.K. Sub-Plan to be exceeded, such U.K. Option shall only take effect to the extent that the aggregate market value of all the Relevant U.K. Option Shares (as calculated above) does not cause the above limit to be exceeded.~~
- 5.5 No U.K. Option shall be granted to a U.K. Eligible Employee within the period of two years preceding his normal retirement date.
- 5.6 A U.K. Eligible Employee may surrender his U.K. Option by notice in writing to the Corporation in whole or part within the period of 30 days immediately following the Grant Date and if a U.K. Option, or any part of a U.K. Option is so surrendered, it shall be deemed for all purposes to the extent surrendered not to have been granted.

6. Option Agreement

- 6.1 Notwithstanding Subsection 7.1 of the Plan, the grant of a U.K. Option to a U.K. Eligible Employee shall be evidenced by the Corporation and U.K. Eligible Employee entering into an option agreement to be executed as a deed, which agreement shall be in the form set out in Schedule A attached hereto and shall set out the U.K. Eligible Employee's agreement that the U.K. Options are subject to the terms and conditions set forth in the U.K. Sub-Plan, the Grant Date, the name of the U.K. Optionee, the U.K. Optionee's position with the Corporation, the number of U.K. Options, the Option Price, the expiring date of the Option Period, the conditions (if any) imposed on the exercise of the U.K. Options and such other terms and conditions as the Board may deem appropriate.

7. Exercise of Options

- 7.1 Notwithstanding ~~Subsection 6.4~~ Section 6 of the Plan, a U.K. Option shall not be exercised by a U.K. Eligible Employee earlier than the third anniversary of the Grant Date or such other date as may be determined by the ~~Company~~ Corporation at the Grant Date, except where Section 8 of the Plan applies.
- 7.2 A U.K. Eligible Employee will not be able to exercise his U.K. Option if he is ineligible to participate in the U.K. Sub-Plan by virtue of Paragraph ~~89~~ of Schedule ~~94~~ to the Act (material interests in close companies).
- 7.3 Notwithstanding any section in the Plan to the contrary, the Corporation may not at any time buyout for a payment in cash or shares a U.K. Option granted to U.K. Eligible Employees.

- 7.4 The Option Price payable upon exercise of a U.K. Option shall be paid in cash or by cheque or other form of cash transfer. Any alternative procedure for the exercise of a U.K. Option shall not take effect until such time as it has been agreed by HM Revenue & Customs (so long as the U.K. Sub-Plan is approved by HM Revenue & Customs.

8. Amendment and Termination of the Plan or Adjustment of Options

- 8.1 ~~Notwithstanding Section 13 of the Plan, anyno alteration or amendment to a Key Feature of this U.K. Sub-Plan and or, whether taking the form of an amendment of the Plan, if it effects or this U.K. Sub-Plan, shall not have effect unless and until approved by the Board of the United Kingdom Inland~~HM Revenue and Customs. ~~The Corporation undertakes to provide details thereof to the Board of the United Kingdom Inland Revenue as soon as is practicable for this purpose.~~
- 8.2 Notwithstanding Subsection 13.4 of the Plan, for the purposes of this U.K. Sub-Plan no adjustment pursuant to any of the provisions of the Plan shall be made to any U.K. Option which has been granted to U.K. Eligible Employees unless such adjustment would be permitted under the Plan and under Paragraph ~~2922~~ of Schedule ~~94~~ to the Act and where so permitted no such adjustment shall take effect unless the approval of the Board of the ~~United Kingdom Inland~~HM Revenue and Customs shall have been obtained thereto.

9. Adjustment on Alteration of Share Capital

- 9.1 The price at which Shares may be acquired on the exercise of any U.K. Option and the number of Shares thereunder may be adjusted as described in Section 10 of the Plan only in the event of a variation in the share capital of the Corporation within the meaning of Paragraph ~~2922~~ of Schedule ~~94~~ to the Act and only if the prior approval of the ~~United Kingdom Inland~~HM Revenue and Customs has been obtained for such adjustment.

10. Corporate Change

- 10.1 For the purposes of this U.K. Sub-Plan, a U.K. Eligible Person who has been granted an Option shall not be entitled to receive options over shares of a successor company (or another company) in consideration for the release of his U.K. Option on any consolidation, merger, change of Control or amalgamation with or into another company unless such successor company makes an offer to which the U.K. Eligible Employee agrees within the appropriate period referred to in Subsection 10.2 hereof and such company:
- (a) obtains Control of the Corporation as a result of making a general offer to acquire the whole of the issued ordinary share capital of the Corporation which is unconditional or is made on the condition such that if it is satisfied the successor company will have Control of the Corporation; or
 - (b) obtains Control of the Corporation as a result of making a general offer to acquire all the shares in the Corporation which are of the same class as the shares which

may be acquired by the exercise of U.K. Options (ignoring any shares which are already owned by it or a member of the same group of companies); or

- (c) obtains control of the company in pursuance of Section 425 of the United Kingdom Companies Act 1985 (“the 1985 Act”) or similar local legislation provided that the Board of ~~the United Kingdom Inland~~HM Revenue and Customs accepts it is the equivalent of the same; or
- (d) becomes bound or entitled to acquire shares in the Corporation under Sections 428 to 430 of the 1985 Act or similar local legislation provided that the Board of ~~the United Kingdom Inland~~HM Revenue and Customs accepts it is the equivalent of the same.

10.2 Where Subsection 10.1 hereof applies:

- (a) a U.K. Eligible Employee may, at any time within the appropriate periods (within the meaning of paragraph ~~1526(23)~~ of Schedule ~~94~~ to the Act) and by the agreement with the successor company, release any U.K. Option which has not lapsed (“the old option”) in consideration for the grant of a new option. The new option must be equivalent to the old option (within the meaning of paragraph ~~1527(3)~~ of Schedule ~~94~~ to the Act) but relate to shares in a different company (whether the successor or corporation itself or some other company falling within paragraph ~~1027(2)(b) or 10(c)~~ of Schedule ~~94~~ to the Act); or
- (b) for the purposes of the application of the provisions of this U.K. Sub-Plan, where any U.K. Eligible Employee has released an old option, any new option granted shall be regarded as having been granted at the same time as the old option. With effect from the date of release, the new option shall be subject to the same provisions of the Plan and the U.K. Sub-Plan as applied to the old option except that the following terms have the meaning assigned to them in this Subsection 10.2 and not the meanings in the Plan:

“Board” means the Board of Directors of the company in respect of whose shares the new options have been granted;

“Corporation” means the company in respect of whose shares the new options have been granted; and

“Shares” means fully paid ordinary shares in the capital of the company over whose shares the new options have been granted and which satisfy the conditions specified in ~~Paragraphs 10 to 14~~Part 4 of Schedule 94 to the Act.

11. Other Amendments to the Plan

11.1 For the purposes of construing this U.K. Sub-Plan:

- (a) All references to “Eligible Persons” in the Plan shall be deleted and substituted with the words “U.K. Eligible Employee”.

- (b) All references to “Option” and “Optionee” in the Plan shall be deleted and substituted with the words “U.K. Option” and “U.K. Optionee” respectively.
- (c) The Board may increase the periods permitted to exercise all or any of the Options covered by any grant to U.K. Eligible Employees in the circumstances described in Subsection 8.5 of the Plan only if prior approval of ~~the United Kingdom Inland~~HM Revenue and Customs has been obtained for such an adjustment.

12. General

- 12.1 U.K. Options shall not (except as may be required by taxation law) form part of the emoluments of individuals or count as wages or remuneration for pension or other purposes.
- 12.2 Notwithstanding any of the provisions contained in the U.K. Sub-Plan or any U.K. Option, the Corporation’s obligation to grant U.K. Options and issue Shares pursuant to the exercise of a U.K. Option and to issue and deliver certificates for such securities to a U.K. Eligible Employee shall be subject to compliance with all applicable laws, regulations, rules, orders of governmental or regulatory authorities in the U.K.

13. Effective Date

- 13.1 Notwithstanding Subsection 13.1 of the Plan, this U.K. Sub-Plan shall not become effective until it has been adopted by the Board of the Corporation and has received formal approval from the Board of ~~the United Kingdom Inland~~HM Revenue and Customs.

SCHEDULE A
TO 2001 U.K. APPROVED SUB-PLAN

OPTION AGREEMENT

This Option Agreement is entered into between Extreme CCTV Inc. (the "Corporation") and the Optionee named below pursuant to the Corporation's Incentive Stock Option Plan (the "Plan") and 2001 UK Approved Incentive Stock Option Plan (the "U.K. Sub-Plan"), copies of which are attached hereto, and confirms the following:

1. Grant Date: _____
2. U.K. Optionee: _____
3. U.K. Optionee's Position
with the Corporation: _____
4. Number of Options: _____
5. Option Price
(\$ per Share): _____
6. Expiry Date of Option
Period: _____

7. Subject to Subsections 7.1 and 7.2 of the U.K. Sub-Plan, each U.K. Option that has vested entitles the U.K. Optionee to purchase one Share at any time up to 4:30 p.m. Vancouver time on the expiry date of the Option Period. The U.K. Options vest as follows:

- (a) 1/18 of the U.K. Options granted shall vest after the expiry of a period of one month from the Grant Date; and
- (b) an additional 1/18 of the U.K. Options granted shall vest after the expiry of a period of 2 months from the Grant Date; and
- (c) ~~(a)~~ an additional 1/618 of the U.K. Options granted shall vest after the expiry of a period of 3 months from the Grant Date; and
- (d) an additional 1/18 of the U.K. Options granted shall vest after the expiry of a period of 4 months from the Grant Date; and
- (e) an additional 1/18 of the U.K. Options granted shall vest after the expiry of a period of 5 months from the Grant Date; and
- (f) ~~(b)~~ an additional 1/618 of the U.K. Options granted shall vest after the expiry of a period of 6 months from the Grant Date; and

- (g) ~~(e) an additional 1/6~~ an additional 1/18 of the U.K. Options granted shall vest after the expiry of a period of 7 months from the Grant Date; and
- (h) an additional 1/18 of the U.K. Options granted shall vest after the expiry of a period of 8 months from the Grant Date; and
- (i) an additional 1/18 of the U.K. Options granted shall vest after the expiry of a period of 9 months from the Grant Date; and
- (j) ~~(d) an additional 1/6~~ an additional 1/18 of the U.K. Options granted shall vest after the expiry of a period of 10 months from the Grant Date; and
- (k) an additional 1/18 of the U.K. Options granted shall vest after the expiry of a period of 11 months from the Grant Date; and
- (l) an additional 1/18 of the U.K. Options granted shall vest after the expiry of a period of 12 months from the Grant Date; and
- (m) ~~(e) an additional 1/6~~ an additional 1/18 of the U.K. Options granted shall vest after the expiry of a period of 13 months from the Grant Date; and
- (n) an additional 1/18 of the U.K. Options granted shall vest after the expiry of a period of 14 months from the Grant Date; and
- (o) an additional 1/18 of the U.K. Options granted shall vest after the expiry of a period of 15 months from the Grant Date; and
- (p) an additional 1/18 of the U.K. Options granted shall vest after the expiry of a period of 16 months from the Grant Date; and
- (q) an additional 1/18 of the U.K. Options granted shall vest after the expiry of a period of 17 months from the Grant Date; and
- (r) ~~(+)~~ the remaining 1/6 1/18 of the U.K. Options granted shall vest after the expiry of a period of 18 months from the Grant Date.

8. The U.K. Option is non-assignable and non-transferrable otherwise than, by will or by the laws governing the devolution of property, to the U.K. Optionee's executor, administrator or personal representative in the event of death of the U.K. Optionee.

9. By signing this agreement, the U.K. Optionee authorizes the Corporation to deduct any taxes owing as a consequence of exercising the U.K. Option, from salary or other amounts payable to the U.K. Optionee.

10. 9. This Option Agreement is subject to the terms and conditions set out in the Plan and U.K. Sub-Plan, as amended or replaced from time to time. In the case of any inconsistency between this (a) Option Agreement and (b) the Plan and the U.K. Sub-Plan, the Plan and the

U.K. Sub-Plan shall govern and any inconsistency between the Plan and the U.K. Sub-Plan, the U.K. Sub-Plan shall govern.

11. ~~10.~~ Unless otherwise indicated, all defined terms shall have the respective meanings attributed thereto in the Plan and U.K. Sub-Plan as appropriate.

12. ~~11.~~ By signing this agreement, the Optionee acknowledges that he, she, or its authorized representative has read and understands the Plan and U.K. Sub-Plan and agrees that the U.K. Options are granted under and governed by the terms and conditions of the Plan and U.K. Sub-Plan, as may be amended or replaced from time to time.

IN WITNESS WHEREOF the parties hereto have executed this Option Agreement as a Deed as of the _____ day of _____, _____.

SIGNED AS A DEED, SEALED AND)
DELIVERED by)
_____ **in)**
the presence of:)

Signature of Witness)

Print Name)

Signature by Optionee)

Print Name)

EXTREME CCTV INC.

Per: _____
Authorized Signatory

Document comparison done by DeltaView on Tuesday, December 13, 2005 1:34:27 PM

Input:

Document 1	PowerDocs://DM_VAN/6392171/1
Document 2	PowerDocs://DM_VAN/6438881/1
Rendering set	Standard

Legend:

Insertion	
Deletion	
Style change	
Format change	
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Deleted cell	
Moved cell	
Split/Merged cell	
Padding cell	

Statistics:

	Count
Insertions	260
Deletions	165
Moved from	12
Moved to	12
Style change	0
Format changed	0
Total changes	449

E X T R E M E C C T V

ABSOLUTE
PERFORMANCE

PRESIDENT'S
MESSAGE 2012



E X T R E M E C C T V A N N U A L R E P O R T 2 0 1 2

~~Specializing in~~ electronic active imaging, Extreme CCTV has become renowned for the absolute performance of its surveillance products. Extreme is regarded as the security industry's leader in the design, development and manufacture of advanced infrared illuminators and precision engineered surveillance cameras. Extreme products integrate seamlessly with critical system components made by other leading technology providers. Specified by security consultants and preferred by systems integrators, Extreme has become the technology and brand of choice for critical security installations worldwide.

2005 CORPORATE AND FINANCIAL HIGHLIGHTS

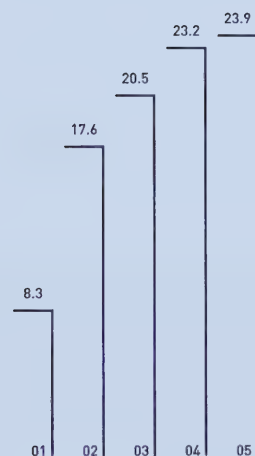
FIVE YEAR REVENUE GROWTH RATE - 713%

INTRODUCED 13 NEW PRODUCTS, OFFERING MORE THAN 70 PRODUCTS IN TOTAL

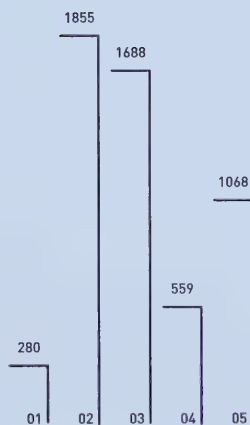
DELOITTE (CANADA) FAST 50 - THREE STRAIGHT YEARS

BUSINESS IN VANCOUVER - 12TH FASTEST GROWING TECH COMPANY IN BC

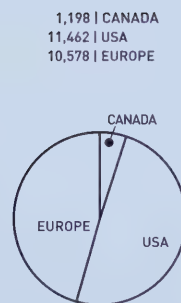
NEW US PATENT: EX36Q - PRISON CELL CAMERA



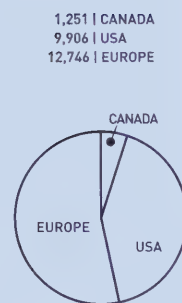
Revenues by Year
YEARS ENDED SEPTEMBER 30
(Millions)



Net Income
YEARS ENDED SEPTEMBER 30
(Thousands)



Division of Revenues
YEAR ENDED SEPTEMBER 30, 2004
(Thousands)



Division of Revenues
YEAR ENDED SEPTEMBER 30, 2005
(Thousands)

PRESIDENT'S MESSAGE



The world experienced a tumultuous year in 2005, witnessing natural disasters in the form of hurricanes, floods and earthquakes as well as terrorist attacks, bombings and riots. Amidst this climate of global uncertainty, Extreme has experienced a productive and profitable year of progress in which our value has become greatly appreciated in the security industry and our business fundamentals have improved significantly. It is apparent that, more than ever, there is a need for the expertise that Extreme provides.

ABSOLUTE PERFORMANCE

In 2005, Extreme continued to expand on its leadership position in active-infrared night vision technology. We grew our strategic customer base, expanded our product line and increased our investment in research and development. Our passion for product performance and reliability has resulted in quality levels that we believe are now the best in the industry in terms of warranty return rates. We also increased our annual revenue for the eighth consecutive year, and reduced our costs to nearly double our net income in comparison to the previous year. We continued to build on our core foundations and are now better positioned for future growth and greater profitability.

We have become well entrenched in security. We have honed our skill and mastered the art of capturing video images in extreme environments. When the world's top Certified Protection Professionals (CPP) require the absolute best night vision cameras and illuminators, they think of one company: Extreme.

To grow the Company, we are leveraging our core technology and applying our expertise to expand into vertical markets in Defense, US Department of Homeland Security (DHS), Intelligent Transportation Systems (ITS), policing and parking enforcement. Operators and end-users in these vertical markets are utilizing our world-class imaging technology for innovative solutions that are now becoming recognized as critical parts of an integrated security solution. Whether it's tracking vehicles crossing frozen rivers in Scandinavia or using our technology in mobile applications for parking enforcement, Extreme products are being used in diverse applications, from saving lives to recovering revenue.

RESEARCH & DEVELOPMENT AT THE OUTERLIMIT

Extreme has excelled in developing market-making products with world-class technology, produced by research and development teams that are without parallel. We have intensified our engineering efforts to accelerate product launches and capitalize on heightened demand for innovative surveillance solutions throughout the world. We have only just begun to reach the outer limit of what we envision, and what our engineers will accomplish. The highest performance products we offer are contained in the OuterLimit™ Series brochure that accompanies this President's Message.

Our mandate is to produce increasingly higher-level performance products for systems integrators who serve key target markets and to deliver surveillance solutions for critical applications, including government projects in Homeland Security and industrial projects for Fortune 500 companies. As the product and customer type is evolving rapidly, we are striving to further develop the sales channels, expand the sales team, focus on our strategic alliances and develop new product initiatives to expand and grow sales.

Sales to our targeted profile customers, the world's leading systems integrators, have expanded. By opening new doors in new markets, unit sales continued to grow in 2005. This foundation of core expertise, performance products and targeted sales channels bodes well for the Company's future. As a well-managed company, we have reduced costs throughout the organization, while improving product quality and ensuring continued profitability.

STRATEGIC ALLIANCES MAKE EXTREME INVALUABLE

We have made significant progress on last year's stated goal of integrating our technology with other technologies for detection and intelligent analysis of potential security threats. In 2005, Extreme established both formal and informal technology alliances with the biggest players in the industry, from Fujinon to Tyco, GE and Bosch.

By ensuring that our active-imaging capability integrates seamlessly with system components made by the largest security product manufacturers in the world, we are attracting the world's leading security integrators. Integration with Pelco protocols, with radar, with digital video management systems (DVMS), with intelligent software, with Motorola's wireless broadband, with NVT – making possible full-motion color video transfer over standard telephone wire – ensures that operators can count on Extreme technology to work well with popular, industry-standard technologies.

MANAGING FOR FUTURE GROWTH

Extreme is a well-managed company that has adapted to dramatic foreign currency shifts to ensure continued profitability in a technology industry that has no geographical boundaries. Our commitment to long-term, profitable growth has been strengthened by key additions to our team of employees in Canada and in the UK, and I am grateful for the dedication of our people. New management appointments also reinforce the Company's focus on international expansion of its sales and marketing reach. It is this committed group of more than 100 strong that ensures the Company will continue to increase shareholder value.

Thank you, as always, for your support.



J.M. (JACK) GIN, P Eng

PRESIDENT & CEO

CORPORATE INFORMATION

DIRECTORS

Extreme CCTV Inc.

J.M. (JACK) GIN, P Eng
Chairman, President & CEO/Director

L.K. (LARRY) DOAN
Director

DAVID W. SMALLEY, LLB
Director

ROBERT D. WIENS, CA
Director

J. BRYAN MCKNIGHT, FCA
Director

THOMAS A. KORDYBACK, CA
Director

DIRECTORS

Extreme CCTV International Inc

LARRY DAVIS
International Director

DAVID CSUMRIK
International Director

CHRIS EVANS
International Director

OFFICERS

J.M. (JACK) GIN, P Eng
President & CEO

TERRY KREPIAKEVICH, CA
CFO

DEREK SERVICE
VP Operations

STEPHEN BELL
Managing Director
European Operations

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V7X 1P4

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V6E 3G2

REGISTRAR AND TRANSFER AGENT

PACIFIC CORPORATE TRUST COMPANY

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LISTING

TSX EXCHANGE

Symbol: EXC

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Canada V5A 3C2

EUROPEAN OPERATION:

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Cramlington, Northumberland
United Kingdom, NE23 1WB

ANNUAL GENERAL MEETING

The Annual General Meeting of Shareholders will be held on Thursday, January 26, 2006 at 10am at 2100 – 1075 West Georgia Street, Vancouver, British Columbia, Canada V6E 3G2.



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E X T R E M E C C T V

ABSOLUTE
PERFORMANCE

MD&A AND FINANCIAL
STATEMENTS 2005



Extreme CCTV®
SURVEILLANCE SYSTEMS

E X T R E M E C C T V A N N U A L R E P O R T 2 0 0 5

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EXTREME CCTV INC.

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Management's Discussion and Analysis

This Management's Discussion and Analysis ("MD&A") for the years ended September 30, 2005 ("fiscal 2005") and 2004 ("fiscal 2004") provides readers with an overview of the Company's operations and a more detailed explanation of its consolidated financial statements and accompanying notes. The objective is to present readers with a view of the Company through the eyes of management by interpreting the material trends and uncertainties that affected the operating results, liquidity and financial position of the Company in the last two fiscal years, and those that may affect future results. The effective date for the MD&A is December 5, 2005.

The consolidated financial statements have been prepared in accordance with generally accepted accounting principles ("GAAP") in Canada. All monetary amounts, unless stated otherwise, are expressed in Canadian dollars. The consolidated financial statements and MD&A have been reviewed and approved by our Board of Directors. Additional information related to Extreme CCTV Inc., including our Annual Information Return, is available on SEDAR at www.sedar.com.

DESCRIPTION OF THE BUSINESS

Extreme CCTV Inc. and its subsidiaries (together "Extreme" or "the Company"), (TSX:EXC) is a leading innovator in the design, development and manufacture of advanced infrared illuminators and precision engineered surveillance solutions.

Extreme provides leading security systems integrators, in a global marketplace, with key enabling technology. This allows intelligent video surveillance systems to operate with both visible and invisible light, and supply clear images, even in total darkness. Extreme's patented and patent-pending technologies enable users to capture images with distinct clarity in all types of conditions. Extreme is capitalizing on its proven technology leadership by providing growing global markets with products that are literally changing the way the world sees in the dark.

The Company markets Extreme technology worldwide in six different categories under three brands: Extreme CCTV®, Derwent and WizKid Optotech®. In total, there are more than 70 Extreme products customized into approximately 500 models.

The Company's mission is to lead the global security industry market by providing extreme application surveillance products through practical, engineered product development for the world's top systems integrators. We aim to deliver world-class, quality products and services to improve the security and safety of people and property, anywhere in the world.

Management's Discussion and Analysis

STRATEGY

In fiscal 2005, Extreme continued to expand on its leadership position in active-infrared night vision technology.

At the beginning of fiscal 2005, the Company adopted the following key strategies that focused on the global market and product expansion to advance our long-term growth:

1. International diversification and corporate positioning
2. Profitable growth
3. Research and development product leadership
4. Market creation and development of strong customer relationships
5. Team building with strong core employees

Our mandate is to produce increasingly higher-level performance products for systems integrators who serve key target markets and to deliver surveillance solutions for critical applications around the world, from governments to Fortune 500 companies. In fiscal 2005, we grew our strategic customer base and intensified efforts to expand into vertical markets such as Department of Homeland Security (DHS), Defense, Intelligent Transportation Systems (ITS), policing and parking enforcement. By leveraging our core technologies to enter new vertical markets, we are encountering an ever-expanding range of customers. As we develop our international sales channels, we have expanded our sales team to serve systems integrators in languages where those opportunities exist, such as Spanish, Portuguese, German, French, Cantonese and Mandarin.

During the year, we maintained our focus on our sales strategy, but at the same time we challenged many of our expense categories, lowering sales, marketing, general and administrative expenses throughout the Company. We also strove to maintain gross margins through improved manufacturing efficiencies and product design, which enabled us to sustain our operational profitability. As a result, we have nearly doubled our net income for fiscal 2005 as compared to fiscal 2004, even in the face of a challenging foreign exchange environment. We also improved our cash flow position through operating performance and reduced inventory levels.

Throughout fiscal 2005, we continued our focus on research and product development leadership. Our engineering teams in Canada and the United Kingdom were responsible for a variety of exciting new products and landmark product improvements. Some of our significant accomplishments during the year in product initiatives included two additions to the REG® Series, REG-L1 and REG-Mobile; two new infrared illuminators, UF600 and ZX700; and a US Patent received for the EX36Q, commonly referred to as the Prison Cell camera. Patents are integral to Extreme's R&D strategy, protecting our engineering advancements and demonstrating our belief in the value of our innovations.

Management's Discussion and Analysis

While we continue to develop new products, the investment in our sales and marketing strategy complements our investment in research and development. Security systems integration requires technologies to work together seamlessly; while Extreme gets the picture, we are also integrating our technologies with other next-generation technologies for detection and intelligent analysis of surveillance information.

Our employees and management team have proven their ability to adapt and excel throughout a year characterized by new market opportunities, increased unit sales, a challenging foreign exchange environment and cost-cutting initiatives. We have improved manufacturing efficiencies and increased our engineering productivity.

For 2006, Extreme's key initiative is to extend its leading expertise in active-infrared imaging for surveillance in the global security industry. We have made important strides in laying the groundwork for the next stage of growth and development.

STRATEGIC CORPORATE GOALS FOR 2006

1. Drive revenue growth through a combination of broad technology offerings, and focused marketing and sales efforts
2. Maintain profitable growth by focusing on gross margin efficiencies and strategic operating cost initiatives
3. Retain technology and market leadership by expanding product offerings for Homeland Security, Defense, Intelligent Transportation Systems (ITS), parking enforcement and building automation
4. Explore acquisition opportunities that enhance shareholder value, corporate revenue growth and profitability
5. Continue development of our employees, key new hires and team building for a strong core employee group.

SUMMARY

Following is a summary of the consolidated financial performance of the Company for the years ended September 30, 2005, 2004 and 2003. The summary should be read in conjunction with the audited consolidated financial statements and the accompanying notes for the current fiscal year.

Management's Discussion and Analysis

Comparative Yearly Performance

(IN THOUSANDS OF CANADIAN DOLLARS, EXCEPT PER SHARE AMOUNTS)

	Years Ended September 30					
	2005		2004 Restated		2003 Restated	
Revenue	\$23,903		\$23,238		\$20,457	
Cost of sales	12,391	51.8%	12,194	52.5%	10,539	51.5%
Gross margin	11,512	48.2%	11,044	47.5%	9,918	48.5%
Expenses:						
Sales and marketing	4,311	18.0%	4,654	20.1%	3,615	17.7%
General and administrative	3,692	15.5%	3,770	16.2%	3,058	14.9%
Research and development	1,182	4.9%	1,147	4.9%	685	3.3%
Amortization of capital assets	466	2.0%	398	1.7%	285	1.4%
Financing	(19)	(0.1%)	(5)	0%	56	.3%
	9,632	40.3%	9,964	42.9%	7,699	37.6%
Income before interest income, income taxes and net equity loss	1,880	7.9%	1,080	4.6%	2,219	10.9%
Interest income on debenture	301	1.2%	278	1.2%	—	0%
Equity in loss of investment	(607)	(2.5%)	(495)	(2.1%)	—	0%
Income before provision for income taxes	1,574	6.6%	863	3.7%	2,219	10.9%
Income taxes	506	2.1%	304	1.3%	531	2.6%
Net income	\$ 1,068	4.5%	\$ 559	2.4%	\$ 1,688	8.3%
Basic earnings per share	\$.07		\$.04		\$.14	
Diluted earnings per share	\$.07		\$.04		\$.13	

FOR THE YEARS ENDED SEPTEMBER 30, 2004 AND 2003, FINANCIAL RESULTS WERE RESTATED TO REFLECT STOCK-BASED COMPENSATION EXPENSE. FOR FISCAL 2004, THE ADJUSTMENT IS \$190,170 AND FOR FISCAL 2003 THE AMOUNT IS \$100,224. THE AMOUNTS ARE REFLECTED IN SALES, MARKETING, GENERAL AND ADMINISTRATIVE EXPENSES.

Management's Discussion and Analysis

OVERVIEW

The global security industry continues to be a strong market with established and growing sales channels. For the year ended September 30, 2005, the Company achieved record revenues of \$23.9 million, as compared to revenues of \$23.2 million for fiscal 2004. During the three months ended September 30, 2005, the Company achieved record quarterly revenues of \$6.5 million, compared to \$5.5 million for the same period last year. Despite a weakened US dollar and a dramatically weakened British pound relative to the Canadian dollar in the fourth quarter, the Company enjoyed a profitable quarter, in contrast to a loss posted in the fourth quarter of fiscal 2004. The cumulative effect of a three-year strengthening of the Canadian dollar has weakened absolute dollar sales for Extreme, but this has been offset by positive results in unit sales for fiscal 2005.

We have maintained our focus on cost-cutting initiatives, decreasing expenses while maintaining revenue growth. Sales and marketing expenses decreased to \$4.3 million in 2005 from \$4.7 million in 2004. General and administrative expenses were reduced from \$3.8 million in 2004 to \$3.7 million in 2005. This cost-conscious approach also guided our research and development efforts in 2005, leading to increased product development, with greater efficiency than in the previous year. The variety, versatility and proven performance of our products are the lifeblood of Extreme and have enabled us to penetrate a wide variety of markets worldwide. The Company's strategy is to maintain and enhance its product advantage through constant innovation and technology research.

Management accomplished a great deal in 2005, laying the groundwork for the next stage in the Company's growth and development. In parallel with this, we continued to aggressively challenge costs throughout the organization, resulting in an improved bottom line in fiscal 2005.

REVENUES

Revenues for the year ended September 30, 2005, were \$23.9 million, as compared to \$23.2 million for the year ended September 30, 2004. In spite of the negative impact over the past three years of the strengthening of the Canadian dollar relative to the US dollar – in which a significant portion of the Company's sales are denominated – revenue has grown steadily since 2001. Fiscal 2005 revenues would have been higher by approximately \$1.5 million had foreign exchange rates held steady compared to fiscal 2004, for an increase over fiscal 2004 of approximately 9%.

Revenues are generated from six product categories, which remained the same in 2005:

- » Active-infrared illuminators (IR)
- » Integrated Day-Night™ (IDN™) Cameras
- » High-Impact™ Domes
- » Explosion-Protected CCTV
- » All-Environment Cameras
- » REG License Plate Capture Cameras & Software

Management's Discussion and Analysis

Unit sales were stable in the IR and Dome lines throughout the year, with a stronger fourth quarter for the Dome products. We increased unit sales in the IDN line by 12% in fiscal 2005, culminating with a particularly strong fourth quarter. The Explosion-Protected product line sales accelerated by 17% while the All-Environment camera product lines enjoyed unit growth of approximately 6% compared to fiscal 2004. The REG product group showed strong growth, with unit sales up 22% in fiscal 2005, punctuated by a particularly strong fourth quarter. The Company believes it is recognized globally as a leading brand name in the market, and anticipates continued unit sales growth throughout fiscal 2006.

A review of revenue by geographic segment, based on customer location, is useful in analyzing operations. The table below sets out our comparative figures for 2005, 2004 and 2003. Sales to customers in other regions are included in the US or European figures, according to the currency denomination of the sale.

Segment Disclosure

(IN THOUSANDS OF CANADIAN DOLLARS)

	Years ended September 30			2005/2004	2004/2003
	2005	2004	2003	% Change	% Change
United States	\$ 9,906	\$11,462	\$ 9,729	(14%)	18%
Canada	\$ 1,251	1,198	2,164	4%	(45%)
Europe	\$12,746	10,578	8,564	20%	24%
Total	\$23,903	\$23,238	\$20,457	3%	14%

Comparative average effective foreign exchange rates are as follows:

	Average Rates			
	Years ended September 30			
	2005	2004	2003	2002
US Dollar to \$CDN	1.223	1.331	1.464	1.571
British Pound to \$CDN	2.262	2.375	2.343	2.358

Management's Discussion and Analysis

Revenue in the United States for fiscal 2005 was lower than our expectations, due in part to the continued weakening of the US dollar. With a re-aligned sales organization and working from our initial success with distributors and integrators, we have identified and further isolated specific sectors and markets to leverage our strengths and products. A multi-pronged approach is in place to develop market leadership through the introduction of an expanded product line for Homeland Security, Defense, Intelligent Transportation systems (ITS), parking enforcement and building automation.

Our strong customer relationships in the UK and Western Europe helped to significantly increase revenue across our product lines. The Company continues to expand its penetration of these established markets, and has gained from many alliances with significant security industry groups. The Company is actively engaging with organizations that are leaders in technology and/or market position in order to gain an advantage in the marketplace.

We have experienced some success in the Asian market but, overall, Asia is not generating significant revenues yet. During fiscal 2005, a key player in engineering and systems integration in Asia became our exclusive distributor in Singapore. We continue to identify new market opportunities, maintain current strategic relationships with all our integrators and build upon alliances for future growth.

We are encouraged by the level of activity across our product lines, and continue to forge new relationships with leading integrators, develop new products, enhance our existing product lines and increase brand and product awareness across all our market sectors.

As we look forward to 2006, the level of activity in the North American market is encouraging. Despite lower than expected sales in North America during fiscal 2005, improved results in the fourth quarter suggest that we are on the right track. Sales strength in Europe is even more encouraging, and we continue to nurture this growing sector.

Gross Margins

[IN THOUSANDS OF CANADIAN DOLLARS]

	2005				Years Ended September 30	
	Q4	Q3	Q2	Q1	2005	2004
Gross Margin	\$3,205	\$2,712	\$2,809	\$2,786	\$11,512	\$11,044
Percentage of Revenue	49.1%	47.2%	46.2%	50.0%	48.2%	47.5%

NOTATIONS FOR THE QUARTER ENDS ARE AS FOLLOWS: DECEMBER 31, 2004 (Q1), MARCH 31, 2005 (Q2), JUNE 30, 2005 (Q3) AND SEPTEMBER 30, 2005 (Q4).

Management's Discussion and Analysis

Gross margin for the year ended September 30, 2005, was \$11.5 million, as compared to \$11.0 million for the year ended September 30, 2004. As a percentage of revenue, gross margin has increased slightly to 48.2% in 2005, from 47.5% in 2004. Gross margin was 48.5% in 2003 and 49.6% in 2002.

The Company has maintained its gross margins despite dramatic foreign exchange fluctuations. In October 2002, the US dollar to the \$CDN stood at approximately 1.58 and the British pound to the \$CDN stood at approximately 2.49. Throughout the last three years the US dollar to the \$CDN has weakened significantly, with the average rate dropping to approximately 1.46 in fiscal 2003, 1.33 in fiscal 2004 and 1.22 for fiscal 2005. In fiscal 2003 and 2004, the average rate for the British pound stood at approximately 2.37 \$CDN, but has dropped to an average of 2.26 \$CDN in 2005. The weakening of the British pound, although not as dramatic as the US dollar, has also negatively affected our revenues, which are reported in Canadian dollars.

To mitigate the impact of the foreign currency on gross margins and improve operating profitability over the last three years, we implemented programs to decrease manufacturing costs, increase selling prices and improve materials management throughout our product lines.

Further cost improvements continued through 2005 with initiatives in sourcing, component reductions, redesign and assembly efficiency. We have increased sourcing from qualified offshore suppliers with associated cost improvements and the related switch to purchasing in US dollars. This latter change from Canadian dollars to US dollars also has the effect of mitigating the Company's exposure to foreign currency fluctuations on US dollar sales.

During the year, it is also typical for the Company to experience movement in the quarterly gross margin percentages due to changes in our product mix, with our more than 70 products and 500 models.

Sales and Marketing Expenses

(IN THOUSANDS OF CANADIAN DOLLARS)

	2005				Years Ended September 30	
	Q4	Q3	Q2	Q1	2005	2004
Sales and Marketing Expenses	\$1,105	\$1,135	\$ 923	\$1,148	\$4,311	\$4,654
Percentage of Revenue	16.9%	19.8%	15.1%	20.6%	18.0%	20.1%

Our stated goal at the beginning of the year was to maintain the overall percentage of sales and marketing expenses at approximately 18% of revenue. In 2004, we increased our investment in sales and marketing initiatives to penetrate new and profitable markets, gain market share, increase brand awareness and drive revenue growth with a strong foundation for the future.

Management's Discussion and Analysis

During the first quarter of 2005, we reviewed many of our sales and marketing expenses and initiated a program to reduce some of our distribution channel expenses. Our goal was to maintain a balance for our continued sales and marketing objectives while ensuring that we regained our profitability momentum.

The Company decreased sales and marketing expenses to \$4.3 million (18% of revenue) for the year ended September 30, 2005, from \$4.7 million (20.1% of revenue) in fiscal 2004. Sales and marketing expenses for fiscal 2003 were \$3.6 million (17.7% of revenue).

With our revenue target increasing in fiscal 2006, there will be a strategic increase in sales and marketing costs. However, our objective is to maintain the percentage at approximately 18% of revenue, where we still consider there to be an appropriate balance between our sales and marketing initiatives and a growing revenue model.

Sales and marketing expenses consist primarily of salaries, travel, advertising, promotions, trade shows and commissions paid to internal sales personnel and external sales representatives. From quarter to quarter, expenses will fluctuate as a percentage of revenue, as expenditures for travel, tradeshow, advertising and promotions are not evenly disbursed.

General and Administrative Expenses

(IN THOUSANDS OF CANADIAN DOLLARS)

	2005				Years Ended September 30	
	Q4	Q3	Q2	Q1	2005	2004
General and Administrative Expenses	\$1,044	\$ 824	\$ 825	\$ 999	\$3,692	\$3,770
Percentage of Revenue	16.0%	14.4%	13.5%	17.9%	15.5%	16.2%

General and administrative expenses decreased slightly to \$3.7 million (15.5% of revenue) for the year ended September 30, 2005, as compared to \$3.8 million (16.2% of revenue) for fiscal 2004.

General and administrative expenses are comprised of rent, office expenses, insurance, travel, audit, legal, public disclosure and foreign exchange gains and/or losses. Over the year, there have been minor increases in some of the categories, but with the exception of foreign exchange losses, most general and administrative expense categories decreased. Despite the decrease in general and administrative expenses over the year, the Company strategically invested in its infrastructure to meet current needs and to position the Company for the next stages of its growth. Looking forward to 2006, investment in computer infrastructure and related costs will increase to accommodate corporate growth.

Foreign exchange losses were particularly high in the fourth quarter. Included in general and administrative expenses for 2005 are foreign exchange losses of approximately \$234,000 (2004 \$142,000).

Management's Discussion and Analysis

Research and Development

(IN THOUSANDS OF CANADIAN DOLLARS)

	2005				Years Ended September 30	
	Q4	Q3	Q2	Q1	2005	2004
Research and Development Expenses	\$ 241	\$ 213	\$ 337	\$ 391	\$1,182	\$1,147
Percentage of Revenue	3.6%	3.7%	5.5%	7.0%	4.9%	4.9%

For the year ended September 30, 2005, research and development costs were \$1.2 million, as compared to \$1.1 million for fiscal 2004, and \$685,000 for fiscal 2003.

The Company invests in research and development to maintain its position in the markets it currently serves, enhance its product portfolio and provide new products with new functions and efficiencies to the security industry. This investment drives future revenues and margins through new product introduction and more cost effective designs. Research and development spending does not necessarily fluctuate with current revenues, however the Company monitors this spending in relation to revenues and adjusts spending when appropriate.

During the year, the Company's research and development teams in Canada and the United Kingdom continued to deliver differentiated products utilizing our core expertise in active imaging. We received a new US Patent for the EX36Q, commonly referred to as the Prison Cell camera, and received notification that a US Patent has been allowed for the REG Series, while a PCT International Patent has been allowed for the EX11 DXL™.

New products in 2005 included two additions to the REG Series: REG-L1, incorporating new technologies for advanced performance imaging with respect to speed, distance and lighting; and REG-Mobile, featuring improved power management, which enables the camera to be powered by a car battery. REG cameras integrate seamlessly with industry-standard digital video management systems, IP video servers and wireless broadband equipment, and deliver high-contrast images for use in intelligent software platforms such as REG-ALERT for Automatic License Plate Recognition (ALPR) applications.

Two new infrared illuminators – UF600 and ZX700 – were unveiled in 2005, greatly extending night vision surveillance performance using conventional CCD cameras and lenses.

Product improvements completed in fiscal 2005 begin with our proprietary Mechanical Filter LXR CCD technology, which produces outstanding spectral response in the near infrared. Together with IR-corrected lenses, the photocell-controlled Mechanical Filter helps provide exceptional day/night performance, delivering brilliant color during day and sensitivity to infrared at night. New Omega™ (Ω) LED Geometry maximizes infrared output while minimizing internal dome reflection, a significant advancement for Extreme's line of Dome cameras. Protocols in both Moondance and GVS1000 have also been improved: Moondance now follows industry-standard Pelco protocols, while GVS1000 integrates with RADAR.

Management's Discussion and Analysis

For 2006, the Company remains committed to research and development spending to introduce new products to targeted markets in Homeland Security, ITS, parking enforcement and building automation.

Our software platform for the REG-ALERT integrated license plate reading systems has been completed for sale into specific market sectors. There has been strong interest from our integration partners and we anticipate continued improvements to the software platform as we gather momentum in other market sectors. To grow and expand REG sales levels, the Company is focused on product development, sales alliances and product integration with leading security systems components. REG surveillance images integrate seamlessly with Extreme's proprietary intelligent software, which converts license plate images to alphanumeric data that can be analyzed, compared, matched and referenced. REG cameras also feature Plug & Play compatibility with digital video management systems by Tyco, GE, March Networks and other leading manufacturers.

New product development of the LX300 has been extended into mid- to late-2006. This new market category product, the LX300, will be based on the patented DALIS laser diode. The LX300 is a highly advanced video surveillance camera that can see through nighttime mist, fog, rain and snow with resolutions greater than that of thermal-imaging devices and is intended for commercial markets within Extreme's current sales channels.

INCOME TAXES

For fiscal 2005, income tax expense was 23% of income before taxes and equity loss, compared to 22% in 2004. The income tax rates are representative of the lower tax rates for income earned in lower tax rate jurisdictions.

FINANCING COSTS

Financing costs consist primarily of interest on debt, bank charges and related fees, offset by interest income earned from positive cash balances. During fiscal 2005, the Company maintained positive cash balances, and had no debt.

INVESTMENT IN OBZERV

On September 12, 2003 ("Initial Closing"), the Company invested \$4,000,000 by way of a 7.00% convertible debenture in Obzerv Technologies Inc. (Obzerv), a Quebec City-based private company. Obzerv develops, markets and sells medium and long-range night vision products based upon active imaging technology and the DALIS laser illuminator that is under exclusive license from the INO (National Optics Institute). A detailed description of this investment is set out in Note 5 to the Consolidated Financial Statements of the Company.

The Company has entered into commercial agreements with Obzerv, which were the subject of a letter of intent at the closing in September 2003. The commercial agreements provide the Company with research and development for new product initiatives that will be based on the DALIS laser illumination technology. The Company is planning to complete development of the first Obzerv related product in fiscal 2006, the LX300, which is based on the DALIS laser illuminator.

Management's Discussion and Analysis

The Company is currently participating in sales and marketing initiatives with Obzerv's flagship product, the ATV 2000i, and plans to be involved with further new products that Obzerv develops. Obzerv delivered the first unit of the ATV 2000i to the US Navy in May 2004, and in August 2004, the US Navy completed its successful final acceptance testing of the product. The Company will earn commissions on its sales of Obzerv's products through its North American distributorship arrangements.

A summary of our investment in Obzerv is as follows:

Initial Closing	\$ 4,000,000
Transaction costs	196,748
Interest accrued on debenture	578,087
Equity in loss of investment	(1,101,879)
Balance, September 30, 2005	<u>\$ 3,672,956</u>

The initial \$ 4,000,000 investment provided the Company with a 31% voting interest. A further \$3,000,000 (the "Second Closing") was required to be invested by the Company by way of a convertible debenture, once certain agreed milestones were met. This additional \$3,000,000 would have given the Company a further 13% voting interest in Obzerv and an option to acquire at predetermined prices all of the shares of Obzerv not owned by the Company, for a period of five years from the date of the initial investment.

Under the terms of the agreement, if the Second Closing had not occurred within two years of the initial investment, Obzerv could give the Company sixty days notice to proceed with the Second Closing or give up its right to do so. Effective December 12, 2005, the Company responded to such a notice received from Obzerv on November 7, 2005, by declining to make the additional investment under the terms of the original agreement.

The Company continues to believe that its investment in Obzerv is valuable. We remain optimistic regarding the potential for success of Obzerv's products and its underlying technology and are committed to working with Obzerv through the various mutual agreements to which the two companies are parties. The Company has a right of first refusal until September 12, 2008 to invest in any future financing of equity or securities convertible into equity by Obzerv. We continue to discuss with Obzerv management, the terms of a potential further investment by Extreme.

Management's Discussion and Analysis

SHARE CAPITAL

At September 30, 2004, there were 1,563,353 warrants outstanding. In July 2005, 88,749 warrants were exercised for gross proceeds of \$266,247 and the remaining warrants expired on July 30, 2005.

During fiscal 2005, 339,333 options were exercised for total proceeds of \$250,841. Currently, the Company has 16.2 million common shares outstanding.

CAPITAL RESOURCES AND LIQUIDITY

The Company's cash and cash equivalents position at September 30, 2005, was \$7.3 million compared to \$3.9 million at September 30, 2004. We improved our cash flow position through operating performance and reduced inventory levels.

Accounts receivable increased from \$4.1 million at September 30, 2004, to \$4.3 million at September 30, 2005. Accounts receivable increased with revenue growth, particularly with record revenues in the latter part of August and September. Continued effective management of our accounts receivable balances remains an important priority.

Inventory decreased from \$3.8 million at September 30, 2004, to \$2.8 million at September 30, 2005. We targeted this area early in the year, and achieved our goal with a related increase in our cash balances. Capital assets, net of accumulated amortization, decreased to \$1.5 million at September 30, 2005, from \$1.7 million at September 30, 2004. The purchase of capital assets was primarily for tools, molds, computer equipment and software.

The Company maintains bank credit lines in both Canada and the UK to manage and fund further growth. The Company currently has a \$2.0 million operating line of credit in Canada and a £400,000 operating line of credit in the UK (approximately equivalent to \$820,000). Working capital at September 30, 2005 was \$11.1 million, as compared to \$9.4 million at September 30, 2004.

The Company believes that its current cash position and available lines of credit will be sufficient to fund ongoing operations and capital expenditures.

Contractual Obligations

The following table shows Extreme's contractual obligations:

	Payments Due by Period				
	Total	Less than 1 year	1 - 3 years	4 - 5 years	After 5 years
Operating Leases	\$619,874	\$294,322	\$325,552	-	-

Management's Discussion and Analysis

Quarterly Information

(IN THOUSANDS OF CANADIAN DOLLARS, EXCEPT PER SHARE AMOUNTS)
(UNAUDITED)

	2005				2004			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Revenue	\$6,517	\$5,740	\$6,084	\$5,562	\$5,459	\$6,196	\$6,189	\$5,395
Gross margin	\$3,205	\$2,711	\$2,809	\$2,786	\$2,468	\$2,936	\$3,052	\$2,588
Net income (loss)	\$ 434	\$ 244	\$ 387	\$ 4	\$ (252)	\$ 202	\$ 440	\$ 169
Basic earnings per share	\$.03	\$.02	\$.02	\$.00	\$ (.02)	\$.01	\$.03	\$.01
Diluted earnings per share	\$.03	\$.01	\$.02	\$.00	\$ (.02)	\$.01	\$.03	\$.01

EARNINGS PER SHARE AMOUNTS IN THE ANNUAL CONSOLIDATED FINANCIAL STATEMENTS DIFFER FROM THE SUM OF THE EARNINGS PER SHARE AMOUNTS FOR EACH OF THE INTERIM PERIODS. THE COMPANY HAS PREVIOUSLY ANALYZED QUARTERLY VARIATIONS IN EACH OF ITS QUARTERLY RELEASES.

FISCAL 2004 FINANCIAL RESULTS HAVE BEEN RESTATED TO REFLECT STOCK-BASED COMPENSATION EXPENSE OF \$190,170, INCLUDED IN SALES, MARKETING, GENERAL AND ADMINISTRATIVE EXPENSES.

Quarterly revenues for fiscal 2005 are summarized as follows:

(IN THOUSANDS OF CANADIAN DOLLARS)

	Revenue (in thousands)				
	Q4	Q3	Q2	Q1	Total
United States	\$2,026	\$2,645	\$2,687	\$2,548	\$ 9,906
Europe	\$4,192	\$2,794	\$3,126	\$2,634	\$12,746
Canada	\$ 299	\$ 301	\$ 271	\$ 380	\$ 1,251
	\$6,517	\$5,740	\$6,084	\$5,562	\$23,903

Management's Discussion and Analysis

Fourth Quarter Analysis

(IN THOUSANDS OF CANADIAN DOLLARS EXCEPT PER SHARE AMOUNTS)

	Quarters ended September 30			
	2005		2004	
Revenue	\$ 6,517		\$ 5,459	
Cost of sales	3,312	50.8%	2,990	54.8%
Gross margin	3,205	49.2%	2,469	45.2%
Expenses:				
Sales and marketing	1,105	17.0%	1,048	19.2%
General and administrative	1,044	16.0%	1,104	20.2%
Research and development	241	3.7%	365	6.7%
Amortization of capital assets	121	1.8%	107	2.0%
Financing	(15)	(0.2%)	12	0.2%
	2,496	38.3%	2,636	48.3%
Income (loss) before interest income, income taxes and net equity loss	709	10.9%	(167)	(3.1%)
Interest income on debenture	76	1.1%	62	1.1%
Equity in loss of investment	(155)	(2.3%)	(192)	(3.5%)
Income (loss) before provision for income taxes	630	9.70%	(297)	(5.5%)
Income taxes	196	3.0%	(45)	(0.8%)
Net income (loss)	\$ 434	6.7%	\$ (252)	(4.7%)
Basic earnings (loss) per share	\$.03		(\$.02)	
Diluted earnings (loss) per share	\$.03		(\$.02)	

Foreign Exchange Table

	2005 Average Rates				Average Rates Year Ended September 30
	Q4	Q3	Q2	Q1	2004
US Dollar to \$CDN	1.201	1.244	1.227	1.221	1.331
British Pound to \$CDN	2.143	2.309	2.319	2.277	2.375

Management's Discussion and Analysis

FOURTH QUARTER REVIEW

Revenues for the quarter ended September 30, 2005, were \$6.5 million, as compared to \$5.5 million, for the quarter ended September 30, 2004, an increase of 19%. Net earnings (loss) for the quarter ended September 30, 2005, were \$434,000, compared to \$(252,000) in the same period in 2004.

Revenue for the fourth quarter was the highest in the Company's history, despite the negative impact of both the US dollar and British pound relative to the Canadian dollar. The average exchange rate for the US dollar relative to the Canadian dollar decreased from 1.244 in Q3 2005 to 1.201 in Q4 2005. Similarly, the average exchange rate for the British pound relative to the Canadian dollar decreased significantly from 2.309 in Q3 2005 to 2.143 in Q4 2005.

In contrast to previous years, European sales were particularly strong in the fourth quarter. A major contributing factor to lower sales in the fourth quarter in previous years has been unusually low demand during the summer holiday period.

We achieved increases in unit sales across many of our product categories. Unit sales were stable in the IR and Dome lines throughout the year, with a stronger fourth quarter for the Dome products. Unit sales in the IDN line increased by 12% in fiscal 2005 and experienced a particularly strong fourth quarter. The REG product group, another higher value product group, showed strong growth, with unit sales up by 22% in fiscal 2005, punctuated by a particularly strong fourth quarter. The Company believes it is recognized globally as a leading brand name in the market, and anticipates continued unit sales growth throughout fiscal 2006.

Gross margin for the quarter ended September 30, 2005, was 49%, as compared to 45% for the quarter ended September 30, 2004. The effect of our ongoing efforts towards materials management, reduced component costs and manufacturing improvements, more than offset the effect of the strengthening Canadian dollar on our gross margin.

Sales and marketing expenses were \$1.1 million for the quarter ended September 30, 2005, compared to \$1.0 million for the quarter ended September 30, 2004.

Throughout 2004, the Company increased its sales and marketing expenses and has maintained a similar investment throughout 2005. Our stated objective is to ensure that we maintain a strong balance between our sales and marketing expenses and our revenue growth. Again, the goal for 2006 is to maintain the percentage at approximately 18% of revenue.

General and administrative expenses were \$1.0 million for the quarter ended September 30, 2005, as compared to \$1.1 million for the quarter ended September 30, 2004.

Management's Discussion and Analysis

Research and development expenses decreased in the quarter. However, we anticipate increases in our research and development costs as we identify new markets, enhance our product portfolio and develop our engineering expertise in the active imaging platform.

Obzerv's losses were reasonably consistent in each quarter, and were in line with their targets for fiscal 2005.

CRITICAL ACCOUNTING ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results may differ from our estimates if past experience or other assumptions do not turn out to be substantially accurate. A summary of the critical accounting estimates and procedures is outlined below and should be read in conjunction with the consolidated financial statements.

ACCOUNTS RECEIVABLE AND ALLOWANCE FOR DOUBTFUL ACCOUNTS

The Company maintains an allowance for doubtful accounts for estimated losses resulting from the inability of its customers to make required payments. The level of Export Development Corporation (EDC) coverage on those related receivables influences the estimates. EDC coverage is maintained for receivables from customers outside North America. EDC coverage is not maintained on our North American accounts as these receivables are considered to be lower risk, and the cost to carry this insurance is considerable.

For all our receivables, regardless of their insurance coverage, we constantly evaluate the customer's financial condition, and the level of their orders against their credit limits.

INVESTMENTS

The Company currently holds an investment in Obzerv Technologies Inc. (Obzerv), which was formalized in September 2003. The Company uses the equity method to account for its investment in Obzerv. Accordingly, the income effects of the related ownership percentage are recorded in the Company's income statement.

Management has reviewed the carrying value of this investment and has concluded that no impairment exists.

Management's Discussion and Analysis

CHANGES IN ACCOUNTING POLICIES

STOCK-BASED COMPENSATION PLAN

Effective October 1, 2004, the Company adopted the recommendations of the Canadian Institute of Chartered Accountants (the "CICA") for accounting for "Stock Based Compensation and Other Stock Based Payments". Under the CICA's recommendations, the fair value of all stock-based awards is estimated using the Black-Scholes model at the date of grant and is expensed to operations over the expected life of each award. Option awards that are cancelled are credited back to share compensation expense in the period of cancellation.

Previously, the Company provided note disclosure of pro forma net income as if the fair value based method had been used on stock options granted after October 1, 2002. The recommendations have been applied retroactively with restatements of prior periods and had the effect of reducing net income by \$190,170, reducing basic and diluted earnings per share by \$0.01 for the year ended September 30, 2004, and increasing contributed surplus and reducing retained earnings by \$100,224 as at September 30, 2003. These adjustments reflect the total compensation expense which would have been recorded had a fair value based method been used for stock options granted after October 1, 2002.

For the year ended September 30, 2005, the total compensation expense related to the fair value of stock options was \$99,325. These fair values were determined using the Black Scholes option pricing model with the following weighted average assumptions; no dividends are to be paid; expected volatility of 44% (2004; 37.65%); risk-free interest rate of 3.98% (2004; 3.25%); and expected life of 18 months (2004; 18 months).

FINANCIAL INSTRUMENTS

The Company enters into forward foreign exchange contracts to manage the risk associated with fluctuations in the US dollar, the Euro and the British pound against the Canadian dollar. The forward contracts are used to reduce the impact of fluctuating exchange rates on the Company's sale of products in foreign currencies. The Company's policy is not to utilize financial instruments for trading or speculative purposes. Unrealized gains and losses on outstanding forward contracts and options are not recorded in the financial statements until completion of the underlying transactions.

The Company formally documents all relationships between hedging instruments and hedged items, as well as its risk management objectives and strategies for undertaking various hedge transactions. This process includes linking all derivatives to forecasted transactions. The Company also formally assesses, both at the hedge's inception and on an ongoing basis, whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in cash flows of hedged items.

Management's Discussion and Analysis

When the Company discontinues its designation of a hedging relationship, or when a hedging relationship is no longer effective, hedge accounting is discontinued. When the Company discontinues hedge accounting, the derivative financial instrument is recorded on the consolidated balance sheet at fair value. Gains and losses that had previously been deferred are carried forward for recognition in the statement of earnings in the same period that the hedged item is recognized.

As at September 30, 2005, the Company had outstanding foreign exchange contracts in place to sell US\$1,620,000 at a weighted average of \$1.21 Canadian maturing over the next 12 months and 540,000 Euro at a weighted average of \$1.41 Canadian maturing over the next 6 months. The fair value of the contracts outstanding as at September 30, 2005 was approximately \$2,637,000.

RISK FACTORS

In the normal course of its business, the Company is exposed to a variety of risks that can affect its performance and could cause the Company's actual results to differ in material respects from the results discussed herein. These risks are discussed below.

NEW PRODUCTS AND TECHNOLOGICAL CHANGE RISK

The Company operates in a competitive marketplace; there are no guarantees that the Company can maintain or expand its advantages.

The Company invests significant resources in the development of products and continually seeks to improve its current product offerings. The success of the Company continues to depend upon market acceptance of its new products, its existing products and its ability to refine and enhance the current product line.

INTELLECTUAL PROPERTY RISK

The Company has taken steps to protect its proprietary technology. The Company relies on a combination of patent, patent pending, copyright, trademark, trade secret laws and other intellectual property protection methods to protect its proprietary technology. These steps may not completely protect the Company's proprietary technology, nor give it a competitive edge. Others may independently develop substantially equivalent technology or gain access to our trade secrets. If the Company is unable to protect its intellectual property, the business over time could be materially affected.

The Company will pursue all avenues available to it in the future, if necessary, to enforce its patents, and to protect its trademarks and other intellectual property rights owned by the Company.

Management's Discussion and Analysis

COMPETITION

The Company's markets are competitive and rapidly changing. Many competitors have substantially greater financial, technical, sales, marketing and other resources, as well as greater name recognition and a larger installed customer base. As this market develops, a number of companies with greater resources could attempt to increase their presence in this market by acquiring or forming strategic alliances with our competitors or business partners.

Many competitors are also divisions or subsidiaries of larger enterprises, many of which also focus on the manufacture and sale of components or mass-market products. Many competitors also offer a broader line of security solutions that may include CCTV. Even though our products may offer a competitive advantage, some competitors have the ability to provide an integrated security solution to an end-user at a price that may render our products uncompetitive.

Our success will depend significantly on management's ability to adapt to these competing forces, to develop more advanced products more rapidly and less expensively than our competitors, and to educate potential customers as to the benefits of using our services. Our future and existing competitors could introduce products with superior features, scalability and functionality at lower prices than our products and could also bundle existing or new products with other more established products in order to compete with us. We expect additional competition from other established and emerging companies. Increased competition may result in price reductions, reduced gross margins and loss of market share, any of which could materially and adversely affect our business. We may not be able to compete successfully against current and future competitors, and the failure to do so would harm the business.

In order for us to maintain a competitive advantage, we will need to identify value-added specialized products not well served by our competitors and to effectively compete through aggressive marketing efforts, competitive pricing, a broad range of features and customer/product service. There are no assurances that the products currently being manufactured or developed by us will continue to have competitive advantages in the CCTV marketplace.

Competitive CCTV products or competing technology or security solutions may render our products obsolete or non-competitive or competitive only in certain markets. We have strategies to mitigate these issues; however, these strategies may prove to be ineffective.

PRODUCT LIABILITY

We face the inherent business risk of exposure to product liability claims in the use of our products. While we will continue to attempt to take appropriate precautions, there can be no assurance that we will avoid significant product liability exposure. There can be no assurance that adequate insurance coverage for future commercial activities will be available at all, or at acceptable cost, or that a product liability claim would not materially adversely affect our business or financial condition.

Management's Discussion and Analysis

NEW MARKET RISK

The ability of the Company to successfully enter new markets is subject to uncertainties. We have been successful in the past, and we continue to develop important alliances in new markets to ensure success. However, there are no guarantees that we can establish new distribution channels or continue to develop new strategic partnerships.

KEY EMPLOYEES

Our continued success will depend on the performance and continued service of the Company's executive officers. We rely on the ability to attract new engineers, research and development staff, production personnel and key sales and marketing employees. During the coming year, we will continue to develop our employees and search for key new hires, however, there is no assurance that the Company will be able to retain existing personnel or attract, hire and retain additional qualified personnel.

FOREIGN EXCHANGE RISK

A substantial amount of revenue is derived from sales denominated in the United States dollar, the British pound and the Euro. To the extent that production, administration, and selling and marketing costs are not denominated in these currencies, foreign exchange risk is created.

Foreign currency fluctuations present a significant risk to the Company's operating results. For the most part, foreign currency gains or losses occur in two ways. The first of these is recorded when the foreign currency asset or liability is either realized in or adjusted to current rates and these current rates are different from those used to originally record the item in the balance sheet. For the parent company, assets and liabilities in United States dollars that are translated to Canadian dollars have the effect of a direct charge or credit to the Company's income statement. Any assets or liabilities of the self-sustaining subsidiaries that are translated to Canadian dollars have the effect of a change to the cumulative translation adjustment account on the balance sheet.

Secondly, fluctuations in the exchange rates between the Canadian and United States currencies for the parent company have a further impact on the profitability of our business. A reduction in the United States dollar exchange rates causes revenue to be recorded at less than the amount that would have been recorded had the previous level prevailed. Cost of sales and overhead expenses that are denominated in United States dollars will be reduced with related foreign exchange reductions. However, there will be an effect on the gross margins of the Company with the devaluation of the United States dollar, as not all of the costs of production are denominated in United States dollars.

The predominant self-sustaining unit is Derwent Systems Limited, which records its revenue and expenses in British pounds and to a lesser extent the Euro. Fluctuations in the related British pound and Euro exchange rates to the Canadian dollar have an impact on consolidated revenue and the overall net profitability of the unit.

Management's Discussion and Analysis

During the year, the Company has used foreign exchange contracts to reduce the downside risk of dramatic moves in the United States dollar and the Euro in relation to our net cash flow position. Also, the Company attempts to mitigate the effects of the devaluation of the United States dollar by incurring expenses in United States dollars whenever practical.

INVESTMENT IN OBZERV

The anticipated benefits of the investment in Obzerv may be subject to the following risks: the expected synergies from the investment may not be fully realized or may take significantly longer to realize than expected; risks generally applicable to investments in an early stage company with limited operating history; risks associated with new product development, market acceptance, product liability, rights to and protection of intellectual property and competition; our ownership percentage in Obzerv may decrease if the Company does not make an additional investment in Obzerv and Obzerv accepts additional outside equity financing; and potential default under the debenture

DISCLOSURE CONTROLS

The Company's Chief Executive Officer and Chief Financial Officer are responsible for establishing and maintaining the Company's disclosure controls and procedures.

The Chief Executive Officer and the Chief Financial Officer, after evaluating the Company's disclosure controls and procedures as of September 30, 2005, have concluded that the Company's disclosure controls and procedures are adequate and effective to ensure that material information relating to the Company is made known to them.

FORWARD-LOOKING STATEMENTS

Certain statements in this Annual Report constitute forward-looking statements. Such forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause actual results, performance or achievements of Extreme to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Such risks, uncertainties and assumptions include the following: general economic and business conditions, changing foreign exchange rates, actions by government authorities, rapid technology development and changes, industry pricing pressures, capacity and other trends and misjudgments in the course of preparing forward-looking statements.

Management's Statement of Responsibility

MANAGEMENT'S STATEMENT OF RESPONSIBILITY

The consolidated financial statements of Extreme CCTV Inc. and the other financial information included in this Annual Report are the responsibility of the Company's management and have been examined and approved by its Board of Directors. These financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles and include some amounts that are based on management's best estimates using careful judgment. The selection of accounting principles and methods is management's responsibility.

The Company maintains internal control systems designed to ensure that financial information is relevant and accurate and that assets are safeguarded. Management recognizes its responsibility for conducting the Company's affairs to comply with the requirements of applicable laws and established financial standards and principles, and for maintaining proper standards of conduct in its activities.

The Board of Directors reviews and approves the financial statements and other financial information through its Audit Committee. This committee's role is to examine the consolidated financial statements and recommend that the Board of Directors approve them, to examine the internal control and information protection systems and all other matters relating to the Company's accounting and finances. In order to do so, the Audit Committee meets periodically with the external auditors, with and without the Company's management, to review their audit plan and discuss the results of their examinations.

Deloitte & Touche LLP have audited the consolidated financial statements in accordance with Canadian generally accepted auditing standards. Deloitte & Touche LLP have full and unrestricted access to the Audit Committee to discuss their audit and related findings as to the integrity of the Company's financial reporting.



J.M. (JACK) GIN, P. ENG
PRESIDENT & CHIEF EXECUTIVE OFFICER

TERRY KREPIAKEVICH, CA
CHIEF FINANCIAL OFFICER

Auditors' Report

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To the Shareholders of
Extreme CCTV Inc.

We have audited the consolidated balance sheets of Extreme CCTV Inc. as at September 30, 2005 and 2004 and the consolidated statements of operations and retained earnings and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at September 30, 2005 and 2004 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

The logo for Deloitte & Touche LLP, featuring the company name in a stylized, cursive script.

CHARTERED ACCOUNTANTS
VANCOUVER, BRITISH COLUMBIA
NOVEMBER 18, 2005
[EXCEPT AS TO NOTE 5, WHICH IS AS OF DECEMBER 12, 2005]

Consolidated Balance Sheets

SEPTEMBER 30, 2005 AND 2004

	September 30, 2005	September 30, 2004 Restated – Note 3
ASSETS		
Current		
Cash	\$ 7,292,340	\$ 3,948,644
Accounts receivable	4,347,695	4,074,382
Inventories (Note 4)	2,776,300	3,810,265
Income taxes receivable	–	96,262
Prepaid expenses and other	198,451	262,303
	14,614,786	12,191,856
Investment in and advances to		
Obzerv Technologies Inc. (Note 5)	3,672,956	3,979,371
Capital assets (Note 6)	1,529,476	1,673,719
Goodwill (Note 7)	731,965	810,245
Future income taxes (Note 12)	59,508	235,260
	\$ 20,608,691	\$ 18,890,451

LIABILITIES

Current		
Accounts payable and accrued liabilities	\$ 3,106,360	\$ 2,795,543
Income taxes payable	364,207	–
	3,470,567	2,795,543

Commitments (Note 11)

SHAREHOLDERS' EQUITY

Share capital (Note 10)	11,461,820	10,944,732
Contributed surplus (Note 3)	389,718	290,394
Cumulative translation adjustment (Note 8)	(874,306)	(233,037)
Retained earnings	6,160,892	5,092,819
	17,138,124	16,094,908
	\$ 20,608,691	\$ 18,890,451

Approved by the directors

J.M. (JACK) GIN, P. ENG

DIRECTOR

J. BRYAN MCKNIGHT, FCA

DIRECTOR

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THE CONSOLIDATED FINANCIAL STATEMENTS.

Consolidated Statements of Operations and Retained Earnings

YEARS ENDED SEPTEMBER 30, 2005 AND 2004

	2005	2004 Restated – Note 3
Revenue	\$ 23,902,741	\$ 23,238,249
Cost of sales	12,391,461	12,194,472
Gross margin	11,511,280	11,043,777
Expenses		
Sales and marketing	4,310,671	4,654,165
General and administrative	3,691,628	3,769,759
Research and development	1,181,711	1,146,701
Amortization of capital assets	465,612	397,624
Financing	(18,761)	(4,790)
	9,630,861	9,963,459
Income before income taxes,		
interest income and net equity loss	1,880,419	1,080,318
Interest income on debenture (Note 5)	300,404	277,683
Equity in loss of investment (Note 5)	(606,819)	(495,060)
Income before provision for income taxes	1,574,004	862,941
Income taxes (Note 12)		
Current	328,073	266,636
Future	177,858	37,000
	505,931	303,636
Net income	1,068,073	559,305
Retained earnings, beginning of period,		
as previously reported	5,383,213	4,633,738
Adoption of new accounting policy (Note 3)	(290,394)	(100,224)
Retained earnings, as restated, end of period	\$ 6,160,892	\$ 5,092,819
Basic earnings per share (Note 14)	\$ 0.07	\$ 0.04
Weighted average number of		
Shares outstanding, basic	15,913,389	14,844,887
Diluted earnings per share (Note 14)	\$ 0.07	\$ 0.04
Weighted average number of		
Shares outstanding, diluted	16,396,957	15,663,468

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THE CONSOLIDATED FINANCIAL STATEMENTS.

Consolidated Statements of Cash Flows

YEARS ENDED SEPTEMBER 30, 2005 AND 2004

	2005	2004 Restated – Note 3
Operating activities		
Net income	\$ 1,068,073	\$ 559,305
Adjustments for:		
Equity in loss of investment	606,819	495,060
Interest accrued on debenture	(300,404)	(277,683)
Stock-based compensation (Note 3)	99,325	190,170
Amortization of capital assets	465,612	397,624
Future income taxes	177,858	37,000
	2,117,283	1,401,476
Changes in non-cash working capital	1,236,753	(1,037,134)
	3,354,036	364,342
Investing activities		
Investment in and advances to Obzerv Technologies Inc.	-	(42,783)
Purchase of capital assets	(321,370)	(846,924)
	(321,370)	(889,707)
Financing activities		
Due to shareholders	-	(139,355)
Capital lease obligations	-	(35,700)
Warrants exercised	266,247	543,848
Options exercised	250,841	75,125
	517,088	443,918
Cash inflow (outflow)	3,549,754	(81,447)
Effect of foreign exchange on cash held		
in foreign currency	(206,058)	(55,207)
Cash, beginning of period	3,948,644	4,085,298
Cash, end of period	\$ 7,292,340	\$ 3,948,644
Supplemental cash flow information:		
Interest paid	\$ 11,952	\$ 54,695
Income taxes paid (refunded)	\$ (132,396)	\$ 521,872

Notes to the Consolidated Financial Statements

1. NATURE OF OPERATIONS

Extreme CCTV Inc. and its operating subsidiaries (the "Company") design, manufacture and market advanced infrared illuminators and precision engineered video surveillance products for use by security providers in commercial, industrial, government and residential environments.

2. SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles and reflect the following significant accounting policies:

BASIS OF PRESENTATION

The consolidated financial statements include the accounts of Extreme CCTV Inc. and its wholly owned subsidiaries, Extreme CCTV (UK) Limited, Extreme CCTV (US) Inc. and Extreme CCTV International Inc. The operating subsidiaries are Extreme CCTV International Inc. and Derwent Systems Inc., which is the operating entity in the UK and a wholly owned subsidiary of Extreme CCTV (UK) Limited ("Derwent"). The Company's investment in Obzerv Technologies Inc. ("Obzerv") is subject to significant influence and is accounted for using the equity method. Under the equity method, Extreme's investment is increased or decreased by Extreme's share of undistributed net income or loss of Obzerv since acquisition. All material intercompany transactions have been eliminated on consolidation.

Capital assets are recorded at cost less accumulated amortization. Amortization is provided over their estimated useful lives using the following methods and rates:

Computer hardware and software	30% declining balance
Shop equipment	30% declining balance
Office equipment	20% declining balance
Leasehold improvements	straight line over the term of the lease
Automotive	30% declining balance

Amortization rates are pro-rated to the number of months in the year of acquisition.

Development software costs incurred subsequent to establishing technological feasibility are capitalized. Development software costs are amortized on a straight-line basis over the expected useful life, which is estimated to be three years. Capitalization ceases and amortization commences on the date the software is ready and available for use.

Notes to the Consolidated Financial Statements

The Company reviews for the impairment of capital assets at least annually or whenever changes in circumstances indicate that the carrying amount of an asset may not be recoverable from the expected undiscounted future cash flows from its use and eventual disposition. The impairment loss is measured as the excess of the carrying value over its fair value. The Company has not identified any impairment losses for the year ended September 30, 2005.

INVENTORIES

Inventories are valued at the lower of cost (first in, first out) and net realizable value.

REVENUE RECOGNITION

Revenue from products is recognized once a sale arrangement exists, delivery has occurred, the sales price is fixed and determinable and collectibility is reasonably assured, which is generally upon shipment in accordance with contractual terms.

RESEARCH AND DEVELOPMENT COSTS

Research costs are expensed as incurred. Development costs are expensed as incurred unless they meet certain conditions related to future recoverability, in which case they are deferred.

WARRANTY

The estimated future warranty obligations related to products sold are provided by charges to operations in the period in which the related sales revenue is recognized.

SHARE ISSUE COSTS

Share issue costs, including initial public offering costs, are recorded as a reduction of share capital, net of income taxes.

GOODWILL

Goodwill represents the excess of the purchase price over the fair market value of the net assets acquired in the acquisition of Derwent. The Company tests for impairment of goodwill at least annually or whenever circumstances change that would indicate that it is more likely than not that the fair value of the reporting unit has been reduced below its carrying amount. If the carrying amount of the reporting unit exceeds the fair value of the goodwill, an impairment loss equal to the excess is charged to the statement of operations.

Notes to the Consolidated Financial Statements

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

INCOME TAXES

The Company follows the liability method of accounting for income taxes. Under this method, current income taxes are recognized for the estimated income taxes payable for the current year. Future income taxes relate to the expected future tax consequences of differences between the carrying amount of balance sheet items and their corresponding tax values. Future tax assets, if any, are recognized only to the extent that, in the opinion of management, it is more likely than not that the future income tax assets will be realized. Future income tax assets and liabilities are adjusted for the effects of changes in tax laws and rates on the date of enactment or substantive enactment.

USE OF ESTIMATES

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results may differ from those estimates. Estimates are used when accounting for items and matters such as revenue recognition and accruals for losses on contracts, allowances for doubtful accounts receivable, inventory obsolescence, product warranty, amortization, asset valuations, impairment assessments, income taxes, stock-based compensation and contingencies.

TRANSLATION OF FOREIGN CURRENCIES

Transactions completed in foreign currencies are translated to Canadian dollars at the rates prevailing at the time of the transactions. Amounts payable and receivable in foreign currencies are reflected in the financial statements in equivalent Canadian dollars at the rate of exchange prevailing at the balance sheet date. Currency gains and losses are included in income for the year in which they occur.

TRANSLATION OF FOREIGN SUBSIDIARIES

The financial statements of Extreme CCTV (UK) Limited and Extreme CCTV International Inc. are translated into Canadian dollars using the current rate method. Under this method, assets and liabilities are translated to Canadian dollars using the exchange rate in effect at the balance sheet date. Revenue and expenses are translated at the approximate exchange rates prevailing at the time the transactions occurred. Unrealized translation gains and losses are deferred and recorded in shareholders' equity as a cumulative translation adjustment.

Notes to the Consolidated Financial Statements

HEDGING RELATIONSHIPS

The Company formally documents all relationships between hedging instruments and hedged items, as well as its risk management objectives and strategies for undertaking various hedge transactions. This process includes linking all derivatives to forecasted transactions. The Company also formally assesses, both at the hedge's inception and on an ongoing basis, whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in cash flows of hedged items.

When the Company discontinues its designation of a hedging relationship, or when a hedging relationship is no longer effective, hedge accounting is discontinued. When the Company discontinues hedge accounting, the derivative financial instrument is recorded on the consolidated balance sheet at fair value. Gains and losses that had previously been deferred are carried forward for recognition in the statement of earnings in the same period that the hedged item is recognized.

SHARE-BASED COMPENSATION PLAN

The Company has a share-based compensation plan that is described in Note 10. Under the plan, options are granted at fair value. Compensation expense is recognized for options granted under the plan over the expected life of each award.

COMPARATIVE FIGURES

Certain of the prior year's comparative figures have been reclassified to conform to the current year's presentation.

3. CHANGE IN ACCOUNTING POLICY

STOCK-BASED COMPENSATION

Effective October 1, 2004, the Company adopted the recommendations of the Canadian Institute of Chartered Accountants (the "CICA") for accounting for "Stock Based Compensation and Other Stock Based Payments". Under the CICA's recommendations, the fair value of all stock-based awards is estimated using the Black-Scholes model at the date of grant and is expensed to operations over the expected life of each award. Option awards that are cancelled are credited back to share compensation expense in the period of cancellation.

Notes to the Consolidated Financial Statements

3. CHANGE IN ACCOUNTING POLICY (continued)

Previously, the Company provided note disclosure of pro forma net income as if the fair value based method had been used on stock options granted after October 1, 2002. The recommendations have been applied retroactively with restatements of prior periods and had the effect of reducing net income by \$190,170, reducing basic and diluted earnings per share by \$0.01 for the year ended September 30, 2004, and increasing contributed surplus and reducing retained earnings by \$100,224 as at September 30, 2003. These adjustments reflect the total compensation expense which would have been recorded had a fair value based method been used for stock options granted after October 1, 2002.

For the year ended September 30, 2005, the total compensation expense related to the fair value of stock options was \$99,325. These fair values were determined using the Black Scholes option pricing model with the following weighted average assumptions; no dividends are to be paid; expected volatility of 44% (2004; 37.65%); risk-free interest rate of 3.98% (2004; 3.25%); and expected life of 18 months (2004; 18 months).

4. INVENTORIES

	2005	2004
Raw materials	\$ 1,822,707	\$ 2,625,821
Work in process	85,863	138,605
Finished goods	867,730	1,045,839
	<u>\$ 2,776,300</u>	<u>\$ 3,810,265</u>

5. INVESTMENT IN AND ADVANCES TO OBZERV TECHNOLOGIES INC.

	2005	2004
Balance, beginning of year	\$ 3,979,371	\$ 4,153,965
Transaction costs	-	42,783
Equity in loss of investment	(606,819)	(495,060)
Interest accrued on debenture	300,404	277,683
Balance, end of year	<u>\$ 3,672,956</u>	<u>\$ 3,979,371</u>

On September 12, 2003 ("Initial Closing"), the Company completed an investment in Obzerv Technologies Inc. ("Obzerv"), a private Canadian company. Obzerv is engaged in the development and commercialization of products using a patented and licensed laser illumination system. Extreme purchased convertible debentures of Obzerv with a face value of \$4,000,000 and a 31% voting interest consisting of 571,429 Class B shares in Obzerv in exchange for \$4,000,000 cash and related costs of \$196,748. Class B shares participate only as to dividends.

Notes to the Consolidated Financial Statements

The debenture is secured by a subordinated fixed and floating charge on all of the assets of Obzerv, subject to prior charges of other lenders. The maximum amount of secured debt to which the debenture is subordinated is \$500,000. The debenture bears cumulative interest compounded annually at the rate of 7.00% per annum and payable at maturity. The debenture is convertible at any time into fully participating Common shares of Obzerv at \$7.00 per share. On the date of conversion, all of the existing Class B shares in Obzerv held by the Company are redeemable upon demand of Obzerv for aggregate consideration of \$1 such that the Company's voting interest in Obzerv after conversion would continue to be 31%. Accrued interest on the debenture is also convertible into Common shares at \$7.00 per share. The conversion price will be adjusted to reflect the effect of any stock splits, stock dividends, combination of shares and other similar events affecting the common shares. The Company may, at its option and from time to time, choose to convert less than the total amount of secured debt.

The debenture matures on September 12, 2009. Upon redemption of the debenture, all of the existing Class B shares of Obzerv held by the Company are redeemable upon demand by Obzerv for aggregate consideration of \$1.

Under the terms of the agreement with Obzerv, the Company committed to invest an additional amount of \$3,000,000 in convertible debentures ("Second Closing"), subject to Obzerv meeting specified performance milestones. Investment by the Company of the additional \$3,000,000 would give the Company the option to acquire all of the outstanding shares from all of the other shareholders at predetermined prices, for a period expiring on the fifth anniversary of the Initial Closing.

The Company currently has a first refusal right on any additional financing of equity or securities convertible into equity by Obzerv. This right expires on the fifth anniversary of the Initial Closing. Thereafter, for as long as the Company owns any type of share of Obzerv, the Company has an enduring right of first refusal proportional to its shareholdings relative to all other shareholders.

Under the terms of the agreement, if the Second Closing had not occurred within two years of the initial investment, Obzerv could give the Company sixty days notice to proceed with the Second Closing or give up its right to do so. Effective December 12, 2005, the Company responded to such a notice received from Obzerv on November 7, 2005, by declining to make the additional investment under the terms of the original agreement. As a result, the Second Closing has been cancelled.

Notes to the Consolidated Financial Statements

6. CAPITAL ASSETS

		2005		2004
	Cost	Accumulated amortization	Net Book value	Net Book value
Computer hardware and software	\$ 756,305	\$ 477,790	\$ 278,515	\$ 280,130
Shop equipment	1,094,383	562,992	531,391	618,338
Development software	354,739	-	354,739	275,526
Office equipment	206,372	136,949	69,423	89,386
Leasehold improvements	326,006	154,802	171,204	203,669
Automotive	277,672	153,468	124,204	206,670
	\$ 3,015,477	\$ 1,486,001	\$ 1,529,476	\$ 1,673,719

7. GOODWILL

	2005	2004
Acquisition of Derwent	\$ 808,116	\$ 808,116
Foreign exchange translation adjustment	(76,151)	2,129
	\$ 731,965	\$ 810,245

8. CUMULATIVE TRANSLATION ADJUSTMENT

An analysis of the cumulative translation adjustments shown separately in shareholders' equity is as follows:

	2005	2004
Balance, beginning of period	\$ (233,037)	\$ (222,375)
Effect of exchange rate variation on translation of net assets of self-sustaining foreign operations	(641,269)	(10,662)
Balance, end of period	\$ (874,306)	\$ (233,037)

9. BANK LINES OF CREDIT

The Company has a £400,000 (approximately \$820,000) operating facility through Derwent Systems Inc. and a line of credit facility to a maximum of \$2.0 million through Extreme CCTV Inc., depending on the prevailing amounts of trade receivables and inventory. Interest on the UK facility is determined monthly based on the Royal Bank of Canada (UK) base rate for unsecured overdrafts as published from time to time plus 0.5% and an amount attributable by the bank as its cost of complying with regulatory requirements. The Canadian line of credit facility bears interest at prime plus 0.5% per annum. The Canadian line of credit is secured by a guarantee of \$1.5 million from Derwent.

Notes to the Consolidated Financial Statements

10. SHARE CAPITAL

Authorized

Unlimited voting common shares without par value

Issued and outstanding	Common shares	Warrants	Amount
Balance, September 30, 2003	11,955,095	5,220,953	\$10,325,758
Special Warrants exercised	2,666,700	(2,666,700)	-
Warrants exercised	990,900	(990,900)	543,848
Stock options exercised	116,500	-	75,126
Balance, September 30, 2004	15,729,195	1,563,353	10,944,732
Warrants exercised	88,749	(88,749)	266,247
Warrants expired	-	(1,474,604)	-
Stock options exercised	339,333	-	250,841
Balance, September 30, 2005	16,157,277	-	\$11,461,820

STOCK OPTIONS

On January 11, 2002, the Company adopted a stock option plan for officers, directors and employees of, and other service providers to, the Company. The maximum number of options available for issuance is 2,300,000, of which 169,172 remain available for issuance under the plan. Under the plan, the exercise price of the option equals the market price of the Company's stock on the date of the grant. One-sixth of the options vest each third month after the grant date over a total of 18 months. The Company has granted the following options pursuant to this plan:

Options	2005		2004	
	Common shares	Weighted- average exercise price	Common shares	Weighted- average exercise price
Outstanding at beginning of year	1,744,833	\$ 1.69	1,483,833	\$ 1.23
Granted	174,000	2.84	404,000	3.12
Exercised	(339,333)	0.74	(116,500)	0.64
Cancelled	(65,500)	2.77	(26,500)	2.57
Outstanding at end of year	1,514,000	\$ 1.98	1,744,833	\$ 1.69
Exercisable at end of year	1,355,833	\$ 1.88	1,483,250	\$ 1.45

Notes to the Consolidated Financial Statements

10. SHARE CAPITAL (continued)

Exercise Price Per Share	Number Outstanding	Average Remaining Contractual Life In Years	Number Exercisable
\$0.50	475,500	6.3	475,500
1.95	123,500	7.6	123,500
2.15	50,000	6.7	50,000
2.25	88,000	6.6	88,000
2.35	65,000	6.6	65,000
2.36	52,500	7.4	52,500
2.59	124,000	8.2	124,000
2.65	25,000	10.0	-
2.70	20,000	9.6	3,333
2.72	50,000	10.0	-
3.00	62,000	9.2	31,000
3.01	15,000	9.9	-
3.05	15,000	8.7	12,500
3.09	270,500	8.2	270,500
3.20	48,000	8.7	40,000
3.35	30,000	8.9	20,000
	1,514,000		1,355,833

11. COMMITMENTS

The Company has operating lease commitments for the rental of equipment and premises. Minimum lease payments are as follows:

2006	\$ 294,322
2007	182,603
2008	142,949
2009	-
	<u>\$ 619,874</u>

Notes to the Consolidated Financial Statements

12. INCOME TAXES

The provision for income taxes is as follows:

	2005	2004
		Restated - Note 3
Income before provision for income taxes	\$ 1,574,004	\$ 862,941
Statutory income tax rate	35.62%	35.62%
Income taxes based on the combined federal and provincial tax rates	\$560,660	\$307,380
Non-deductible expenses	216,149	244,782
Decrease in provision resulting from lower rates for foreign subsidiaries	(277,593)	(174,081)
Other	6,715	(74,445)
Provision for income taxes	\$ 505,931	\$ 303,636

	2005	2004
Future income tax asset (liability)		
Capital assets	\$ (87,892)	\$(5,915)
Share issue costs	142,763	231,781
Other	4,637	9,394
	\$ 59,508	\$ 235,260

13. SEGMENT DISCLOSURE

The Company operates primarily in one industry segment, that being the design, manufacture and marketing of advanced infrared illuminators and precision engineered video surveillance products. The Company conducts business mainly in Canada, the United States ("US") and Europe. Revenues are attributable to the main geographic segments based on location of the customer. Amounts as at and during the years ended September 30, 2005 and 2004 are as follows:

	2005				
	US	Canada	Europe	Other	Consolidated
Revenues	\$ 9,906,321	\$ 1,250,919	\$ 12,745,501	\$ -	\$ 23,902,741
Financing	191	(44,655)	18,846	6,857	(18,761)
Amortization	7,484	176,591	251,150	30,387	465,612
Capital assets and goodwill	28,636	561,716	1,324,958	346,131	2,261,441
Expenditures for segment capital assets	225	122,820	85,411	112,914	321,370

Notes to the Consolidated Financial Statements

13. SEGMENT DISCLOSURE (continued)

	2004				
	US	Canada	Europe	Other	Consolidated
Revenues	\$ 11,461,991	\$ 1,197,785	\$ 10,578,473	\$ -	\$ 23,238,249
Financing	66	(27,884)	15,607	7,421	(4,790)
Amortization	5,303	140,399	206,789	45,133	397,624
Capital assets and goodwill	37,515	504,194	1,609,071	333,184	2,483,964
Expenditures for segment capital assets	51,552	235,832	296,673	262,867	846,924

14. EARNINGS PER COMMON SHARE

Basic earnings per common share are calculated using the weighted average number of common shares outstanding during the period. Diluted earnings per common share are presented using the treasury stock method and are calculated by dividing net earnings applicable to common shares by the sum of the weighted average number of common shares outstanding and all additional common shares that would have been outstanding if potentially dilutive common shares had been issued.

The following table sets forth the computation of basic and diluted earnings per share:

	2005	2004
		Restated
		- Note 3
Net income, as reported (A)	\$ 1,068,073	\$ 559,305
Weighted average number of common shares outstanding (B)	15,913,389	14,844,887
Diluted adjustment for warrants	-	7,764
Diluted adjustment for stock options	483,568	810,817
Diluted weighted average number of shares and stock options (C)	16,396,957	15,663,468
Earnings per share		
Basic (A/B)	\$ 0.07	\$ 0.04
Diluted (A/C)	\$ 0.07	\$ 0.04

Notes to the Consolidated Financial Statements

15. FINANCIAL INSTRUMENTS

FAIR VALUE

The Company's financial instruments, including cash, accounts receivable, accounts payable, accrued liabilities and income taxes payable, are carried at amounts that approximate their fair value due to their immediate or short-term maturity.

CREDIT RISK

The Company is subject to normal credit risk as it carries accounts receivable from many customers.

The Company follows a program of credit evaluations of customers, limits the amount of credit extended when deemed necessary and insures foreign receivables through the Export Development Corporation. The Company maintains provisions for potential credit losses, and any such losses to date have not been significant.

FOREIGN CURRENCY RISK

The Company's revenues are generated primarily from sales to customers based in the United States and Europe and are denominated in US dollars, British pounds and the Euro.

From time to time, the Company enters into forward exchange contracts to protect its future Canadian dollar revenues and cash flows from the potential adverse impact of unfavorable foreign exchange fluctuations. While forward contracts reduce the risk of exposure to adverse change in exchange rates, they also reduce the benefit of favorable changes in exchange rates. The Company does not hold or issue financial instruments for trading purposes.

As at September 30, 2005, the Company had outstanding foreign exchange contracts in place to sell US\$1,620,000 at a weighted average of \$1.21 Canadian maturing over the next 12 months and 540,000 Euro at a weighted average of \$1.41 Canadian maturing over the next 6 months. The fair value of the contracts outstanding as at September 30, 2005 was approximately \$2,637,000.

As at September 30, 2004, the Company had entered into a foreign currency contract expiring December 31, 2004 to sell £75,000 at a contract rate of \$2.30. The fair value of the contract as at September 30, 2004 was approximately \$171,585.

Included in general and administrative expense for the year ended September 30, 2005 is a foreign exchange loss of \$234,000 (2004 - \$142,000).

CORPORATE INFORMATION

DIRECTORS

Extreme CCTV Inc.

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Chairman, President & CEO/Director

L.K. (LARRY) DOAN
Director

DAVID W. SMALLEY, LLB
Director

ROBERT D. WIENS, CA
Director

J. BRYAN MCKNIGHT, FCA
Director

THOMAS A. KORDYBACK, CA
Director

DIRECTORS

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LARRY DAVIS
International Director

DAVID CSUMRIK
International Director

CHRIS EVANS
International Director

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President & CEO

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LISTING

TSX EXCHANGE
Symbol: EXC

MAILING ADDRESS

CORPORATE HEADQUARTERS:
3021 Underhill Avenue
Burnaby, BC
Canada V5A 3C2

EUROPEAN OPERATION:
Colbourne Crescent, Nelson Park
Cramlington, Northumberland
United Kingdom, NE23 1WB

ANNUAL GENERAL MEETING

The Annual General Meeting of Shareholders will be held on Thursday, January 26, 2006 at 10am at 2100 – 1075 West Georgia Street, Vancouver, British Columbia, Canada V6E 3G2.





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